

NPS55Wp75092

NAVAL POSTGRADUATE SCHOOL

Monterey, California



THE CHAMPUS BUDGETING AND PROGRAMMING PROCESS

by

Leland Maassen

and

David Whipple

September 1975

Approved for public release; distribution unlimited.

Prepared for:
Chief of Naval Operations
The Pentagon, Washington, D.C. 20301

NAVAL POSTGRADUATE SCHOOL
Monterey, California

Rear Admiral Isham Linder
Superintendent

Jack R. Borsting
Provost

Professor Whipple received research support for this study from the
Conceptual Studies Program funded by Op-96 at NPS.

Reproduction of all or part of this report is authorized.

Prepared by:

UNCLASSIFIED

SECURITY CLASSIFICATION OF THIS PAGE (When Data Entered)

REPORT DOCUMENTATION PAGE		READ INSTRUCTIONS BEFORE COMPLETING FORM
1. REPORT NUMBER NPS55Wp75092	2. GOVT ACCESSION NO.	3. RECIPIENT'S CATALOG NUMBER
4. TITLE (and Subtitle) The CHAMPUS Budgeting and Programming Process		5. TYPE OF REPORT & PERIOD COVERED Technical Report
		6. PERFORMING ORG. REPORT NUMBER
7. AUTHOR(s) Leland Massen David Whipple		8. CONTRACT OR GRANT NUMBER(s)
9. PERFORMING ORGANIZATION NAME AND ADDRESS Naval Postgraduate School Monterey, California 93940		10. PROGRAM ELEMENT, PROJECT, TASK AREA & WORK UNIT NUMBERS N00016-75-WR00018
11. CONTROLLING OFFICE NAME AND ADDRESS Chief of Naval Operations The Pentagon, Washington, D.C. 20301		12. REPORT DATE September 1975
		13. NUMBER OF PAGES 81
14. MONITORING AGENCY NAME & ADDRESS (if different from Controlling Office)		15. SECURITY CLASS. (of this report) Unclassified
		15a. DECLASSIFICATION/DOWNGRADING SCHEDULE
16. DISTRIBUTION STATEMENT (of this Report) Approved for public release; distribution unlimited.		
17. DISTRIBUTION STATEMENT (of the abstract entered in Block 20, if different from Report)		
18. SUPPLEMENTARY NOTES		
19. KEY WORDS (Continue on reverse side if necessary and identify by block number) Programming CHAMPUS Budgeting Military Health Care		
20. ABSTRACT (Continue on reverse side if necessary and identify by block number) A study of the Civilian Health and Medical Program for the Uniformed Services (CHAMPUS) was conducted to identify the structure and organizational relationships existing within the program. In other studies the legislative history of dependent medical care programs was traced to show the Congressional intent behind the CHAMPUS Program and procedures used by several levels of management in the CHAMPUS Program to process beneficiary claims were reviewed and examined. In this report budgeting, accounting, →		

20. and reporting systems in use were reviewed in an attempt to demonstrate and analyze the growth of the program during the past seven years of its existence. The results of the study demonstrate the complexity of the CHAMPUS Program and further points out the need for further indepth study in several aspects of the program's management.

INTRODUCTION

It is clear that increasing pressure has been, and will continue to be, brought to bear on the cost of providing health care to the non-active duty eligibles using both the military delivery system and that of the private sector under the Civilian Health and Medical Program for the Uniformed Services - CHAMPUS.

In this series of reports we have concentrated on the CHAMPUS portion of the system, previously tracing the associated legislative history and describing the organizational structure and claims operational procedures. In this report the organization of the Office of CHAMPUS is reviewed to determine the interactions of that office with the Department of Defense, the fiscal administrators, and the beneficiaries and the past and present budgeting concepts and procedures studied to show the different methods used by the Services in presenting their CHAMPUS budgets. Congressional actions are reviewed to determine its interest in, and comments on the CHAMPUS Program. Lastly, the accounting system utilized by the Office of CHAMPUS is studied and attempts to relate dollars spent to dollars budgeted made. Past and present reports generated by the Office of CHAMPUS are examined with the goal of tracing the growth of the program.

The conclusion will describe some of the major difficulties encountered in accomplishing this study and will outline areas in which further study is needed.

THE CHAMPUS BUDGETING PROCESS

A review of Hearing Reports of the Senate and House of Representatives Appropriations Committees enables one to obtain the Department of Defense budgeted cost figures for the CHAMPUS Program for several consecutive years. One should not think, however, that by aggregating these cost submissions that the total program costs can be obtained. By law the CHAMPUS Program is for the dependents of the uniformed services. The definition of uniformed services is written to include the personnel of the Air Force, the Army, the Navy, the Marine Corps, the Coast Guard, the Commissioned Corps of the National Oceanic and Atmospheric Administration, and the Commissioned Corps of the U. S. Public Health Service. The budgets of the Uniformed Services other than those of the Defense Department are to be found in the various other departmental budgets considered by Congress. The combined budgets of the Coast Guard, the Commissioned Corps of the National Oceanic and Atmospheric Administration and the Commissioned Corps of the U. S. Public Health Service comprise about 3.5 percent of the total CHAMPUS budget. These budgets are not readily available and are not explicitly considered in this chapter.

In addition, in 1974, the Veterans Administration requested and received permission to establish a CHAMPUS-type program for its beneficiaries. Their program, commonly called CHAMPVA, is a separate program from CHAMPUS operating

through Regional VA offices in the OCHAMPUS framework. Their program uses the OCHAMPUS forms and follows the OCHAMPUS policies and claims processing procedures. The OCHAMPUS contractors do the actual claims processing for the Veterans Administration. OCHAMPUS acts primarily as a disbursing agent in the reimbursement of the contractors for professional services provided to VA beneficiaries. While it is assumed that the Veterans Administration does budget for the costs involved in their CHAMPVA Program, its budget is also not readily obtainable and is not explicitly considered in this chapter.

In their budget submissions each of the three branches of the Defense Department presents the budgeted costs in a slightly different manner. Prior to Fiscal Year 1975 the individual branches budgeted for the CHAMPUS Program as a part of Program 8 - Training, Medical, and Other General Personnel Activities of their respective Operations and Maintenance Appropriation Budgets. Appendices A, B, and C are the Fiscal Year 1974 budget submissions for the Army, the Navy, and the Air Force, respectively, for the CHAMPUS Program. These budget submissions were extracted from the total service O&M budget for each branch of service and are presented to demonstrate the variations in budget submission format.

In spite of the slightly different forms of budget submission it is relatively easy to pick out the program costs.

Table I presents the Department of Defense CHAMPUS budget submission figures for Fiscal Years 1968 to 1974. In several budget years the submitted cost estimates were not valid. For example, estimate #1, Fiscal Year 1972, is the estimated program costs in the original Presidential Budget. Estimate #2 is the amount that the service chiefs testified to as the true needs of the program in the House of Representatives hearings. Estimate #3 is from the service chief's testimony at the Senate Appropriation hearings. Appendix D, a verbatim excerpt from Fiscal Year 1974's House of Representatives Appropriations hearings on the Army O&M Budget, illustrates that an estimate cost may not really be an estimated cost [Ref. 1]. This type of testimony is not uncommon in the Department of Defense budget hearings. In most years, CHAMPUS cost testimony is limited to trite questions of what the program is and who is eligible for what type of benefits. Usually, the questioner merely asks that such information be supplied for the record.

In the Senate Appropriation hearings for Fiscal Year 1973, Senator Allen Ellender, Chairman of the Senate Committee on Appropriations, stated, "I see no reason to get into medical care in non-service facilities since you have nothing to do about it except pay the bills [Ref. 2]." And that was the total mention of the OCHAMPUS Program costs in the Senate for that year. Thus, one is led to the conclusion that the budgeted CHAMPUS costs that are approved by Congress are

TABLE I
DEPARTMENT OF DEFENSE BUDGET SUBMISSIONS FOR CHAMPUS PROGRAM
FOR FISCAL YEARS 1967 TO 1974
(\$ IN THOUSANDS)

FISCAL YEAR	OCHAMPUS (\$ 627)	ARMY (\$38,508)	NAVY (\$55,058)	AIR FORCE (\$28,685)	TOTAL ¹ (\$122,878)
1967 (Actual)					
1968 Est	1,400	75,903	63,031	38,336	178,670
(Actual)	(1,400)*	(59,306)	(55,892)	(37,182)	(153,780)
1969 Est	1,600	73,386	58,619	39,339	172,944
(Actual)	(1,600)*	(73,373)	(66,995)	(50,287)	(192,246)
1970 Est	1,500	78,997	78,814	57,761	217,072
(Actual)	(1,343)	(97,359)	(94,438)	(64,886)	(258,026)
1971 Est #1	1,600	76,900	90,499	69,536	238,535
Est #2	1,601	124,200	91,959	71,178	288,938
(Actual)	(1,601)*	(103,462)	(123,937)	(82,886)	(311,886)
1972 Est #1	1,615	87,604	92,595	73,693	255,507
Est #2	1,615 *	139,562	94,983	120,492	356,652
Est #3	1,615 *	140,600	124,147	139,771	406,133
(Actual)	(2,000)	(139,367)	(129,361)	(118,784)	(389,512)
1973 Est #1	1,831	155,029	144,684	136,721	438,265
Est #2	2,000	155,069	155,562	143,286	455,748
Est #3	2,013	176,542	159,003	155,548	493,106
(Actual)	(Not Available)				
1974 Est #1	1,977	204,650	178,447	201,735	586,809

¹Total does not include the US Public Health Service budget submission. The USPHS would increase above figures by approximately 2.5%.

* - No reported figures in Congressional Hearing Reports. Figures shown represent preceding budget submission.

Figures in parenthesis labeled actual represent total program costs as reported by the Department of Defense to Congress in the Congressional Budget Justification Book. Actual program costs shown are normally reported two years after the end of the fiscal year. For example, FY 1967 actual figures first reported in FY 1969 budget submission.

TABLE I (CONTINUED)

Source: Reported Hearings, House of Representatives and U. S. Senate Committees on Appropriations and their respective Subcommittees on Defense Appropriations, Hearings on Operation and Maintenance Budgets, Fiscal Years 1968 to 1974.

whatever figure of the branches of the Armed Forces say is needed. In Table I the figures listed as "actual" are not to be considered as the final DOD costs of the program. These figures are the ones that are reported to Congress as being the actual costs incurred for that year by the branches of the Armed Forces. It should be noted that in nearly every year the reported actual costs exceeded the budget estimates for that year. It should also be noted that the "actual costs" are obtained from the budget submissions two years after a dollar amount is approved by Congress. To explain further, the "actual" costs shown for FY 72 in Appendices B, C and D are first reported in the FY 74 budget. The FY 73 budget would have reported FY 71 costs as actual and the FY 72 and FY 73 costs as estimated.

An initial step in analyzing these budget submissions was to determine the percentage composition of the total CHAMPUS budget. To do this the total CHAMPUS costs, both budgeted and actual reported costs were summed. This figure was then considered as the total cost figure for that year. Then the respective figures submitted by the individual branches of the Armed Forces were used to determine their percentage share of the budget. Table II shows the results of these calculations. In order to more accurately present the percentage share of each year's budget and reported costs the estimated and reported costs of operations at OCHAMPUS

TABLE II

DEPARTMENT OF DEFENSE BUDGET SUBMISSIONS FOR CHAMPUS
PROGRAM FOR FISCAL YEARS 1967 TO 1974

FISCAL YEAR	PERCENTAGE COMPARISONS*			
	<u>OCHAMPUS</u>	<u>ARMY</u>	<u>NAVY</u>	<u>AIR FORCE</u>
1967 Actual	0.5	31.4	44.8	23.3
1968 Est.	0.8	42.5	35.3	21.5
Actual	0.9	38.6	36.3	24.2
1969 Est.	0.9	42.4	33.9	22.8
Actual	0.8	38.2	34.8	26.2
1970 Est.	0.7	36.4	36.3	26.6
Actual	0.5	37.7	36.6	25.2
1971 Est. #1	0.7	32.2	37.9	29.2
Est. #2	0.6	43.0	31.8	24.6
Actual	0.5	33.2	39.7	26.6
1972 Est. #1	0.6	34.3	36.3	28.8
Est. #2	0.5	39.1	26.6	33.8
Est. #3	0.4	34.6	30.6	34.4
Actual	0.5	35.8	33.2	30.5
1973 Est. #1	0.4	35.4	33.0	31.2
Est. #2	0.4	34.0	34.2	31.4
Est. #3	0.4	35.8	32.3	31.5
1974 Est. #1	0.3	34.9	30.4	34.4

* All numbers expressed as a percentage.

were considered as a separate entity. These costs were normally submitted as part of the Army's budget.

In reading Table II there seems to be two trends. First, the OCHAMPUS operations costs seem to be decreasing as an overall percentage of the budget. Second, it appears that the Air Force, in the last three of the years considered, has considerably increased its percentage share of the program's costs. It must be cautioned that Table I and Table II should be read in conjunction with one another. For example, the Air Force has increased its share of the program costs by about 10 percent but its actual dollar amount of increased costs in Fiscal Year 1974's estimate is more than seven times the amount reported as actual costs in Fiscal Year 1967.

A. NAVY'S CHAMPUS BUDGETING PROCESS

Prior to Fiscal Year 1976 the Bureau of Medicine and Surgery (BUMED) was responsible for the development of the CHAMPUS budget [Ref. 3]. They prepared the preliminary figures and forwarded them to the Comptroller of the Navy (NAVCOMPT) for consolidation with other Operation and Maintenance, Program 8 budgets. In July 1974, BUMED began preparation of its submission of the Fiscal Year 1976 budget. At that time they had a copy of the May 1974 CHAMPUS Phaseback Data (to be discussed in later section) and advance inpatient care information for June 1974. This information was used to develop a straight line projection which was used as the starting point for the NAVCOMPT 76 submission.

A straight line projection is an extrapolation of what is going to happen in the future based upon historical data. The CHAMPUS Program estimate for a given fiscal year is projected through the thirty-sixth month of the program by applying the rate of change of the most recent past year's actual experience to the latest monthly figures for the fiscal year being projected. This projection method assumes that the fiscal year program being projected will change in direct proportion to the most recent past year's experience. The projections are made for inpatient and outpatient workload and inpatient cost per day and outpatient cost per visit for the categories of inpatient, outpatient medical and outpatient psychotherapy.

To compute drugs, retarded and handicapped, and dental, the prior ratio of change is computed using total obligations experience. The ratio is then applied to the latest month's recorded obligations in order to project the total funding requirements for these three program categories. Table III illustrates the use of the straight line projection technique for the inpatient category as it was used in BUMED's NAVCOMPT 76 submission. Table IV illustrates the outpatient categories projections. These straight line projections are used as the basic starting point for completing the NAVCOMPT Submit. This base year is then adjusted for anticipated physician shortage, closure of hospitals, and contractor backlog to derive the FY 74 estimate. It would seem that the purpose of the

TABLE III

STRAIGHT LINE PROJECTIONS INPATIENT

A		B		C		D	
2ND YR JUNE FY 73 ÷ 1ST YR. JUNE FY 73 x 1ST YR. JUNE FY 74 = 2ND YR JUNE FY 74							
<u>ACTIVE DUTY DEPENDENTS ADPL</u>							
1622		1268		1146		1466	
<u>RETIRED DEPENDENTS ADPL</u>							
1290		939		920		1264	
<u>RETIRED ADPL</u>							
335		239		261		366	
E		F		D		Y	
3RD YR JUNE FY 72 ÷ 2ND YR JUNE FY 72 x 2ND YR JUNE FY 74 = 3RD YR JUNE FY 74							
<u>ACTIVE DUTY DEPENDENTS ADPL</u>							
1521		1513		1466		1474	
<u>RETIRED DEPENDENTS ADPL</u>							
1159		1143		1264		1282	
<u>RETIRED ADPL</u>							
325		321		366		371	

TABLE IV

STRAIGHT LINE PROJECTIONS OUTPATIENT

<u>2ND YR</u> <u>MAY</u> <u>FY 73</u>	<u>÷</u>	<u>1ST YR</u> <u>MAY</u> <u>FY 73</u>	<u>X</u>	<u>1ST YR</u> <u>MAY</u> <u>FY 74</u>	<u>=</u>	<u>2ND YR</u> <u>MAY</u> <u>FY 74</u>	<u>3RD YR</u> <u>MAY</u> <u>FY 72</u>	<u>÷</u>	<u>2ND YR</u> <u>MAY</u> <u>FY 72</u>	<u>X</u>	<u>2ND YR</u> <u>MAY</u> <u>FY 74</u>	<u>=</u>	<u>3RD YR</u> <u>MAY</u> <u>FY 74+</u>	<u>DIFF</u> <u>MAY</u> <u>JUNE =</u> <u>FY72</u> <u>FY 74</u>
<u>DEPENDENTS OF</u> <u>ACTIVE DUTY OTHER THAN PSYC. ADPL</u>														
586		297		299		590	386		375		590		607	1 608
<u>RETIRED DEPENDENTS OTHER THAN PSYC. ADPL</u>														
946		427		444		984	1145		1122		984		1004	1 1005
<u>OUTPATIENT RETIRED, ADPL, OTHER</u> <u>THAN PSYC.</u>														
239		110		120		261	238		232		261		268	0 268
<u>DEPENDENTS OF</u> <u>ACTIVE DUTY, PSYCHOTHERAPY</u>														
355		174		344		702	210		206		702		715	0 715
<u>RETIRED DEPENDENTS, PSYCHOTHERAPY</u>														
244		124		213		419	377		373		419		423	0 423
<u>RETIRED PSYCHOTHERAPY</u>														
46		24		48		92	47		46		92		94	0 94

adjustment is to enable one to more accurately estimate the told costs for the base year. It should be noted that the information available to BUMED at the time (June-July 1974) provided cost data for twelve months. This data had to be projected forward for an additional twenty-four months and in order to make the projection as accurate as possible, the various adjustments had to be computed and added to the original projections. The adjusted FY 74 estimate is then used to make the projections for the FY 75 estimate.

To project the Average Daily Patients (ADP) for Fiscal Year 1975 the ADP estimate for Fiscal Year 1974 was divided by the Fiscal Year 1974 population to get a hospital rate. This rate was then applied to estimated Fiscal Year 1975 population to obtain the Fiscal Year 75 ADP estimate. The estimate was then "adjusted" for physician shortages, hospital closures, new hospital services additions - specifically the addition of OB-GYN service at Naval Hospital, Long Beach - and contractor backlogs to derive an adjusted estimate for Fiscal Year 1975. The comments above pertaining to the purpose of the adjustments should be kept in mind.

On 17 July 1974 BUMED budget officers obtained the following backlog information from OCHAMPUS:

<u>CLAIMS ON HAND</u>	<u>74</u>	<u>73</u>	<u>DIFF.</u>
Mutual of Omaha	17,734	11,184	+6,550
Blue Cross/Blue Shield	13,583	13,864	<u>- 281</u>
Fiscal Year 73 Backlog			6,269

The number of backlog CHAMPUS claims is then multiplied by the average Length of Patient Stay (LOPS) taken from the latest available Quarterly Statistical CHAMPUS Summary, in this case the March 1974 SUMMARY, to obtain the Tri-Service Hospital Days:

Backlog Claims	6,269
Average LOPS	8.2
Tri-Service Hospital Days	<u>51,406</u>

The Navy's portion of the backlogged claims was then computed by dividing the number of actual Navy and Marine Corps claims from Mutual of Omaha by the total number of CHAMPUS claims for the states covered by contract with Mutual, then multiplying the percentage by the above figure:

$$37,100 / 103,200 = 35.9\% \text{ (Navy's Percentage Share)}$$

$$51,406 \times 35.9\% = 18,455 \text{ Navy Hospital Days}$$

Using data in the June 1974 CHAMPUS Phaseback Data the percentage of actual Hospital Days Claimed by the three patient categories was computed. These percentages were then applied to the Navy Backlogged Hospital Days Claimed to obtain the Hospital Days Backlog by Patient Category for the Navy:

<u>DEP A/D</u>	<u>DEP RET/DEC</u>	<u>RETIRED</u>
18,455	18,455	18,455
<u>49.2%</u>	<u>39.5%</u>	<u>11.3%</u>
9,080	7,290	2,085

Using the figures just computed, the Hospital Days Claimed by Patient Category in the June Phaseback Data were increased by 9,080, 7,290 and 2,085 respectively. Using the new totals

a new straight line projection computation was made. The result was the estimated ADP for Fiscal Year 1975.

The next step in the budget development was to calculate the various adjustment factors. The Naval Hospital, Boston, was closed in June 1974. In reviewing monthly reports in BUMED it was observed that the Average Daily Patient Load for this hospital had been relatively stable from July 1973 to March 1974. Reports for April and May of 1974 showed a marked drop in the ADPL. The computations used by BUMED to show the effect of the closure on the CHAMPUS Program are as follows:

1. ADPL Retired.

Jul-Mar: 9 month ADPL	192 / 9 = 21.33
FY 74; 12 month ADPL	208 /12 = <u>17.33</u>
Effect is FY 74 adjustment to CHAMPUS	+4.0

2. ADPL Retired Dependents.

Jul-Mar: 9 month ADPL	111 / 9 = 12.33
FY 74: 12 month ADPL	119/12 = <u>9.92</u>
Effect is FY 74 adjustment to CHAMPUS	+3.0 (Rounded)

It would seem that the total number of patients in each of the two categories were divided by the nine and twelve month factor to obtain the Average Daily Patient Loads. That is, for retired persons there were 192 admissions in nine months of the year and only 16 in the last three months (actually only two months as the hospital was closed in June, the last month of the fiscal year). It is not clear why the twelve month ADPL was subtracted from the nine month ADPL and

the difference termed the "Effect" of an adjustment to CHAMPUS. It is thought that this difference might pertain to the phenomenon that not all persons who could have used the Naval Hospital would now use CHAMPUS. That is, some of these patients would journey to other military hospitals and some would not receive hospitalization but would have their problem treated on an outpatient basis. There was no indication in data received from BUMED as to the effect the hospital closure would have on the dependents of active duty personnel.

In July 1974, BUMED's conservative estimates were that Naval Hospitals and Naval Regional Medical Centers would lose over 400 physicians by the end of July. A decrease of patient care delivery capability had already been felt in May and June. In those months, BUMED believed that a shift to CHAMPUS of approximately 2.0 percent had occurred. Using the ADPL data for May and June this shift was translated into an ADPL of approximately 142. The full year impact was computed by multiplying the patient category percentages for May and June, computed as the percentage of actual Hospital Days Claimed by the three patient categories, by 24 to obtain the yearly Adjusted ADPL by Patient Category. There was no explanation as to where the figure "24" was obtained nor as to its significance in the calculations. It is thought that the "24" must be the number of average Patient Days associated with the loss of the 400 physicians. The actual computations used by BUMED are shown below:

<u>Patient Category</u>	<u>Percentage</u>	<u>Yearly Adj. ADPL by Pat. Cat.</u>
Active Duty Dependents	47% X 24 =	11
Retired Dependents	41% X 24 =	10
Retired Members	12% X 24 =	<u>3</u>
Total		24

The calculations used to develop the Fiscal Year 1974 projected inpatient ADPL for the Fiscal Year 1975 Program are shown in the following sections:

1. Active Duty Dependents.

Straight line projection (June)	1,474
Contractor Backlog	43
Navy doctor shortage	<u>9</u>
FY 74 projected ADPL	1,526

2. Retired/Deceased Dependents.

Straight line projection (June)	1,282
Contractor Backlog	30
Boston closure	3
Navy doctor shortage	<u>8</u>
FY 74 projected ADPL	1,323

3. Retired Members.

Straight line projection (June)	371
Contractor backlog	9
Boston closure	4
Navy doctor shortage	<u>2</u>
FY 74 projected ADPL	386

It should be noted that no adjustment was indicated in the FY 75 estimate for active duty dependents which would reflect the effect of closing Naval Hospital, Boston. Further, it must be noted that the Navy doctor shortage figures used in the above calculations do not sum to 24. It is thought that the difference can be attributed to the fact that some patients would be treated at other military facilities

(other services or PHS) and that some care would be received in an outpatient status versus an inpatient status. Another possible explanation would be that the original figures of 11, 10, and 3 were subjected to some type of straight line projection and were thus reduced to the figure shown.

It should be remembered that the above calculations are presented to demonstrate the techniques used by BUMED in developing the CHAMPUS Program budget. In order to fully understand the import behind the figures it would be necessary to have all of the base data available. This data was not made available and thus no further comment or explanation of the meaning of the above numbers can be made.

An adjustment to the straight line projection in the medical outpatient visits category was also required due to the projected shortage of physicians in late Fiscal Year 1974. Most of the patients, forced to use the CHAMPUS Program for the first time late in the fiscal year, will be subject to the \$50 and \$100 deductible provisions. Thus, the impact on CHAMPUS would be minimized. BUMED anticipated that the physician shortage would have about a one percent impact on CHAMPUS outpatient visits. This translated into about 230 visits per day for the last sixty-one days of the fiscal year. The May and June actual percentage by patient category of outpatient visits claimed was computed from the Phaseback Data. The effect of the physician shortage on outpatient visits was then computed as shown in the following sections:

1. Medical Outpatient.

Active Duty Dependents	32% X 230 =	74
Retired/Deceased Dependents	53% X 230 =	122
Retired Members	15% X 230 =	<u>34</u>
		230

2. Conversion to Yearly Impact.

Active Duty Dependents	74 / 6 =	12
Retired/Deceased Dependents	122 / 6 =	20
Retired Members	34 / 6 =	<u>6</u>
		38

3. Computation of Total Visits with Adjustments.

<u>Patient Category</u>	<u>May Straight Line</u>	<u>Adj.</u>	<u>Totals</u>
Active Duty Dependents	608	+ 12	= 620
Ret/Dec Dependents	1,005	+ 20	= 1,025
Retired Members	268	+ <u>6</u>	= <u>274</u>
		38	1,919

The same procedures were used to project the ADP for Fiscal Year 1976 as were used for Fiscal Year 1975 projections except that the Fiscal Year 1976 projected population and adjustments were used. These computations and adjustment calculations are shown, without explanation, in the following sections:

1. Computations of ADP for FY 76, active duty dependents.

FY 74 Adj. <u>Workload</u> 1,507	+ FY74 <u>Pop.</u> 902,969	X FY75 <u>Pop.</u> 908,609	= FY75 <u>WORKLOAD</u> 1,517	- OBGYN <u>to LB</u> 4	=
Est. Adj. <u>FY75</u> 1,513	+ FY75 Adj. <u>Workload</u> 1,513	X FY75 <u>Pop.</u> 908,609	= FY76 <u>Pop.</u> 896,762	= FY76 <u>Workload</u> 1,493	

2. Computations of ADP for FY 76, retired dependents.

$$\frac{\text{FY74 Adj. Workload}}{1,323} + \frac{\text{FY74 Pop.}}{824,250} \times \frac{\text{FY75 Pop.}}{870,088} = \frac{\text{FY75 Workload}}{1,397} + \frac{\text{Boston Close}}{10}$$

$$= \frac{\text{Est. Adj. FY75}}{1,407}$$

$$\frac{\text{FY75 Adj. Workload}}{1,407} + \frac{\text{FY75 Pop.}}{870,088} \times \frac{\text{FY76 Pop.}}{909,335} = \frac{\text{FY76 Workload}}{1,470}$$

3. Computations of ADP for FY 76, retired members.

$$\frac{\text{FY74 Adj. Workload}}{386} + \frac{\text{FY74 Pop.}}{311,754} \times \frac{\text{FY75 Pop.}}{329,277} = \frac{\text{FY75 Workload}}{408} + \frac{\text{Boston Close}}{18}$$

$$= \frac{\text{Est. Adj. FY 75}}{426}$$

$$\frac{\text{FY75 Adj. Workload}}{426} + \frac{\text{FY75 Pop.}}{329,277} \times \frac{\text{FY76 Pop.}}{344,147} = \frac{\text{FY76 Workload}}{455}$$

The following sections demonstrate the calculation of projections of CHAMPUS outpatient visits in the program categories of outpatient care excluding psychotherapy and outpatient psychotherapy care.

1. Active Duty Dependents.

	<u>Outpatient</u>	<u>Psychotherapy</u>	<u>Population</u>
FY 1974 Estimate	620	715	902,969
OB-GYN Addition, LB	34		
Pgm Red		-340	
FY 1974 Adjusted	586	375	
FY 1975 Estimate	590	378	908,609
OB-GYN Addition, LB	- 7		
FY 1975 Adjusted	583	378	
FY 1976 Estimate	575	373	896,762

2. Retired/Deceased Dependents.

	<u>Outpatient</u>	<u>Psychotherapy</u>	<u>Population</u>
FY 1974 Estimate	1,025	423	824,250
Boston Closure	54		
Pgm Red	8	-194	
FY 1974 Adjusted	1,087	229	
FY 1975 Estimate	1,148	242	870,088
FY 1976 Estimate	1,200	253	909,335

3. Retired members.

	<u>Outpatient</u>	<u>Psychotherapy</u>	<u>Population</u>
FY 1974 Estimate	274	94	311,754
Boston Closure	33		
St. Albans	1		
FY 1974 Adjusted	308	94	
FY 1975 Estimate	326	98	329,277
FY 1976 Estimate	341	102	344,147

The cost per day computations were made by taking the average cost per day for twelve months with a four percent inflation add-on for May and June 1974. The Fiscal Year 1975 cost per day reflects a 15 percent inflation increase over Fiscal Year 1974 costs. Budget submission guidelines dictated that Fiscal Year 1976 cost per day calculations were to be held level with those of Fiscal Year 1975. It should be noted that the four percent inflation add-on for May and June 1974 is directly attributable to the removal of price controls at the end of April 1974. The calculations and supporting data for all cost categories of the CHAMPUS Program are shown in the following sections.

1. Inpatient costs for active duty dependents.

May 1974 Phaseback (for FY 1973)	June 1974 Phaseback (for FY 1974)	Percentage Change
July \$122.29	\$126.95	3.8
August 124.29	129.40	4.1
September 124.77	136.02	9.0
October 125.71	132.95	5.7
November 120.55	135.57	12.4
December 120.31	126.26	4.9
January 122.74	141.58	15.3
February 122.48	135.83	
March 123.39 + 10.9%	136.84	
April 123.28 + 10.9%	136.72	
May 125.04 + 10.9%	138.67 + 4% (5.55) =	144.22
June 130.47 + 10.9%	144.69 + 4% (5.79) =	150.48

The average cost per day without the inflation add-on for May and June 1974 is computed to be \$135.12. The average cost per day with the inflation add-on is computed to be \$136.07.

2. Inpatient costs for retired/deceased dependents.

May 1974 Phaseback (for FY 1973)	June 1974 Phaseback (for FY 1974)	Percentage Change
July \$ 65.82	\$ 70.13	6.5
August 67.02	74.58	11.3
September 65.93	77.08	16.9
October 63.10	76.42	21.1
November 69.19	81.60	17.9
December 65.13	75.95	16.6
January 70.38	81.76	16.2
February 67.14 + 16.9%	78.49	
March 66.34 + 16.9%	77.55	
April 69.33 + 16.9%	81.05	
May 72.09 + 16.9%	84.27 + 4% (3.37) =	87.64
June 72.39 + 16.9%	84.62 + 4% (3.38) =	88.00

Without the inflation add-on the average cost per day for this patient category is computed to be \$78.63. When the inflation add-on is considered the average cost per day rises to \$79.18.

3. Inpatient costs for retired members.

May 1974 Phaseback (for FY 1973)	June 1974 Phaseback (for FY 1974)	Percentage Change
July \$ 75.02	\$ 84.87	13.1
August 78.41	86.83	10.7
September 78.45	92.05	17.3
October 68.18	94.31	38.3
November 78.68	95.10	20.9
December 75.37	100.52	33.4
January 79.58	101.04	27.0
February 81.30 + 27%	103.25	
March 78.71 + 27%	99.96	
April 82.13 + 27%	104.31	
May 79.84 + 27%	101.40 + 4% (4.06) =	105.46
June 85.67 + 27%	107.49 + 4% (4.30) =	111.79

The average cost per day for this patient category without the inflation add-on is computed to be \$97.59. The average cost per day with the inflation add-on is \$98.29 per day.

The application of plus-4% per month for the last two months of the Fiscal Year resulted in a basic adjusted inflation factor of 0.007. This factor, when applied to outpatient care resulted in the costs per visit shown below. These costs then reflect the affect of the Wage and Price Guideline removals from the health care industry in April 1974.

	<u>Medical</u>	<u>Psychotherapy</u>
Active Duty Dependents	\$18.13	\$23.80
Retired/Deceased Dependents	15.86	21.69
Retired Members	19.99	22.34

The baseline figures used in the calculations for inflation effects on outpatient visits were the cost per visit figures which had been calculated on a straight line projection for May 1974. It should be noted that the May 1974 straight line projection for psychotherapy program benefits was

computed using the 1972 trend data because the method of charging visits was changed in March 1973. This change ruined Fiscal Year as a base year for projection purposes. The cost per day could not, therefore, be computed using occurring costs changes based on the Fiscal Year 1973 straight line projection. Thus, the figures shown for Psychotherapy above are computed on straight line projection based on Fiscal Year 1972 trend data.

Drug costs were not inflated by four percent since the additional inflation in 1974 was mainly reflected in direct health care delivery charges. The computations for Fiscal Year 1974 drug costs are straight line projections of Fiscal Year 1973 (\$3.193 million) times the inflation rate factor (0.007) for an added cost of \$22,000 (total of \$3.215 million). For Fiscal Year 1975 a 15 percent inflation rate had been indicated and there was an anticipated population growth factor of slightly over 3.38 percentage. The Fiscal Year 1975 computations used by BUMED were: FY 1974 cost (\$2.428 million) plus 3.38% plus the 15% inflation factor for a estimated cost of \$2.887 million. For Fiscal Year 1976 no inflation impact was considered because of the budget guidelines; however, a 2.0 percent population growth factor was considered. Thus, the FY 1975 estimate was increased by 2.0 percent for a Fiscal Year 1976 estimate of \$2.945 million.

The retarded and handicapped cost category was also not inflated by the 4 percent inflation factor for the reasons

cited above. Using Fiscal Year 1973 straight line projection of \$3.193 million times the yearly adjusted inflation factor of 0.007 gives the fiscal year estimate of \$3.215 million. In the Fiscal Year 1975 calculations there was an assumption that the Navy would show approximately 30 percent of the planned program reduction of \$5.5 million in this cost category. The Navy's share of the reduction amounted to \$1.65 million. Thus, using the Fiscal Year 1974 estimate, \$3.215 million less \$1.650 million results in a figure of \$1.565 million. Adding on a 15 percent inflation factor raised the figures to \$1.800 million. Consideration of a 3.0 percent population growth factor raised the Fiscal Year 1975 projection to \$1.854 million. As in the drug cost computations no inflation factor was considered for the Fiscal Year 1976 projection. A 2.0 percent population growth in dependents of active duty servicemen was considered with the resulting figure for the Fiscal Year 1976 estimate of \$1.891 million.

Dental charges were also not inflated by the 4 percent factor. They were inflated by the yearly adjusted inflation factor of 0.007. These computations, using the Fiscal Year 1973 straight line projection of \$4.153 million provided a Fiscal Year 1974 estimate of \$4.182 million. For Fiscal Year 1975 the Dental Program of CHAMPUS was to be reduced by 90 percent of the Fiscal Year 1973 figure. The Fiscal Year 1973 program total for dental charges was \$7.469 million

which, when reduced by 90 percent, results in a Fiscal Year 1975 projection of \$0.747 million. For Fiscal Year 1976 it was planned that this program will be fully reduced and discontinued and thus there will be no funding requirement for dental in Fiscal Year 1976.

B. FISCAL YEAR 1976 NAVCOMPT SUBMIT

The final result of all of the foregoing computations is the Fiscal Year 1976 BUMED submission to the Office of the Comptroller of the Navy. The BUMED submission contained all of the budget items relating to the Operation and Maintenance, Navy appropriation, Program 8, Training, Medical, and Other General Personnel Activities for which the Surgeon General of the Navy/Chief of the Bureau of Medicine and Surgery acted as the major claimant. The portion of this NAVCOMPT Submit which pertains to the CHAMPUS Program is shown in Exhibit 0.

As mentioned in an earlier portion of this chapter, the procedures described were in effect prior to Fiscal Year 1975. So, even though the figures shown are for the Fiscal Year 1976 budget, they were not the figures actually used for the FY 1976 CHAMPUS budget. Beginning in Fiscal Year 1975 the Executive Director, OCHAMPUS, prepared an operating budget for the CHAMPUS Program. For that year his input to the budget was based primarily on the guidance received from the user services. This input guidance was developed, at least for the Navy's input, using the methodology described above.

It should also be noted that, as in previous years, the Army's input guidance contained estimates of the costs for administering the CHAMPUS Program at OCHAMPUS. This budget, part of which is shown in Exhibits 1, 2, and 3, was submitted to the Office of the Assistant Secretary of Defense (Health and Environment) for consolidation with other DOD budgets. Congressional action in Fiscal Year 1975 appropriations resulted in a CHAMPUS appropriation of \$493 million with a provision that this figure was not to be exceeded during the fiscal year.

In budget submissions for Fiscal Year 1976 the OASD (H&E), the DOD Comptroller and OMB budget guidance directed that the budget would be submitted in accordance with what is termed an "A-11" budget submission [Ref. 4]. This type of budget submission, shown in Exhibits 4, 5, and 6, is more difficult to read and interpret. For example, in Exhibit 4 the Health Related Programs Budget Data, a footnote defines what is included in the term "Other Services." In reading this sheet there is no indication in any entry, nor in the explanation of the costs, to reflect the cost of operating the OCHAMPUS organization. In past years this figure was in excess of \$2.5 million. One is forced to conclude that these costs are in some way included in Administrative Costs, a component of Other Services. In previous budgets, the term "Administrative Costs" was applied to those costs budgeted to pay the CHAMPUS contractors for their claims processing costs.

EXHIBIT 0

FY 1976 NavCompt Submit

Claimant: SGN

Code: 465

Extension: 254-4340

Department of the Navy
OPERATIONS, NAVYProgram 8 - Program Element/Aggregation 08081 - Medical Care in Non-Service Facilities
(\$ Thousands)

Section D. (Cont)	Average Daily Patients			Cost Per Day			Total Obligations		
	FY 1974 Estimate	FY 1975 Estimate	FY 1976 Estimate	FY 1974 Estimate	FY 1975 Estimate	FY 1976 Estimate	FY 1974 Estimate	FY 1975 Estimate	FY 1976 Estimate
<u>Contractual Care - CHAMPUS</u>									
<u>Inpatient Care</u>									
Active Duty Dependents	1,526	1,517	1,493	136.07	156.48	156.48	75,790	86,644	85,507
Retired Dependents	1,323	1,407	1,470	79.18	91.06	91.06	38,236	46,764	48,992
Retired Personnel	386	426	445	98.29	113.03	113.03	13,848	17,575	18,409
Cost Sharing Reduction								-8,529	-8,706
Subtotal, Inpatient Care	3,235	3,350	3,408				127,874	142,454	144,202
<u>Outpatient Care</u>									
Active Duty Dependents	620	590	575	18.13	20.85	20.85	4,103	4,490	4,388
Retired Dependents	1,025	1,148	1,200	15.86	18.24	18.24	5,934	7,643	8,011
Retired Personnel	274	326	341	19.99	22.99	22.99	1,999	2,736	2,869
Added Cost Sharing								3,032	3,058
Subtotal, Outpatient Care	1,919	2,064	2,116				12,036	17,901	18,326
(excluding psychotherapy)									
<u>Outpatient Care (Psychotherapy)</u>									
Active Duty Dependents	715	378	373	23.80	27.37	27.37	6,211	3,776	3,737
Retired Dependents	423	242	253	21.69	24.94	24.94	3,349	2,203	2,309
Retired Personnel	94	98	102	22.34	25.69	25.69	767	919	959
Reduction for Psychiatric Care									
Sub-total, Outpatient Care	1,232	718	728				10,327	6,898	7,005
(Psychotherapy)									
<u>Drugs</u>									
Sub-total, Outpatient Care							2,428	2,887	2,945
<u>Retarded and Handicapped</u>									
Dental							3,215	1,854	1,891
Contractors' and Services; Other Costs							4,182	747	0
Service Population Estimates							6,002	6,478	6,539
Quality Control Program							50	1,300	0
Estimated Contractual Care Program Requirements							0	359	0
							166,114	180,878	180,908

EXHIBIT 1

COMMANDER'S STATEMENT

1. The FY 1975 Command Operating Budget reflects the guidance received from the Services as of 28 February 1974. Detailed comparisons between the Services' Guidance and OCHAMPUS estimates for FY 1974 and FY 1975 are set forth in the two paragraphs which follow. CHAMPVA guidance is not included since this will be furnished by the Veterans Administration.

	<u>FY 1974</u>	<u>Services' Guidance</u>	<u>POCHAMPUS Estimate</u>
ARMY		\$114,091,000 (a)	\$143,573,000 (b)
Navy		162,447,000	167,741,000
Air Force		194,294,000	167,818,000
FHS		12,007,000	12,060,000
TOTAL		\$513,739,000	\$491,192,000

(a) Includes \$2,703,000 for the administrative costs of OCHAMPUS, Denver, Colorado.

(b) Includes \$2,703,000 for the administrative costs of OCHAMPUS, Denver, Colorado.

	<u>FY 1975</u>	<u>Services' Guidance</u>	<u>POCHAMPUS Estimate</u>
ARMY		\$151,693,000 (c)	\$152,172,000 (d)
Navy		168,589,000	183,778,000
Air Force		196,250,000	180,001,000
FHS		15,609,000	12,780,000
TOTAL		\$532,141,000	\$528,731,000

(c) Includes \$3,375,000 for OCHAMPUS costs.

(d) Includes \$3,400,000 for OCHAMPUS costs.

4. There is an unfinanced requirement of \$25,000 for FY 1975. Justification is furnished in Schedule 5.

5. All appropriate Resource Conservation Program actions under the provisions of AR 11-20 have been considered in preparing the FY 1975 COB.

E. R. McCandless

E. R. McCANDLESS
Colonel, MSC, USA
Director

EXHIBIT 2

FY 1975 COMMAND OPERATING BUDGET APPLICATION OF OPERATING RESOURCES (\$ In Thousands)

Schedule 1 - OMA

Office for the Civilian Health
and Medical Program of the
Installation/Activity Uniformed Services

Health Benefits for CHAMPUS
Beneficiaries Administered By
Executive Director

AMS Account Title AMS Account Code
841214

Code	Description (1)	FY 1973 Actual (2)	FY 1974				FY 1975		
			6 Months Actual (3)	Total Program (4)	For TSG Use Only (5)	Total Program (6)	For TSG Use Only (7)	Variance Col. 6 vs Col. 4 (8)	Unfinanced (9)
1100	Personnel Compensation	1,145,782	614	1,315		1,474		159	
1200	Personnel Benefits	93,870	51	109		122		13	
2100	Travel and Transporta- tion of Persons	64,681	29	75		75			25
2200	Transportation of Things		1	2				(2)	
2310	Rents	189,901	102	217		217			
2320	Communications	26,168	12	25		25			
2330	Purchased Utilities (TOTAL 2300)	216,069	114	242		242			
2400	Printing and Reproduction	2,800	2	2		2			
2511	Purchased Equipment GOCO/COCO	6,137	6	8		8			
2512	Purchased Equipment Maintenance DOD								
2520	Purchased ADP Services - Outside Government								
2540	Management Studies	97,104							
2550	Operations Research (OR) Studies								

EXHIBIT 3

FY 1975 COMMAND OPERATING BUDGET APPLICATION OF OPERATING RESOURCES (\$ In Thousands)

Schedule 1 - OMA

Office for the Civilian Health
and Medical Program of the
Installation/Activity Uniformed Services

Health Benefits for CHAMPUS
Beneficiaries Administered By
Executive Director

AMS Account
Code 841214

Code	Description (1)	FY 1973 Actual (2)	FY 1974				FY 1975			
			6 Months Actual (3)	Total Program (4)	For TSG Use Only (5)	Total Program (6)	For TSG Use Only (7)	Variance Col. 6 vs Col. 4 (8)	Unfinanced (9)	
2572	Other Purchased Services (TOTAL 2500)	472,213,815 472,317,056	254,071 254,077	511,941 511,949		530,171 530,179		18,230		
2610	Supplies (Excl POL, ADP, Medical and Aircraft)	25,307	17	33		35		2		
2640	Other POL									
2650	ADP Supplies	6,706	3	7		7				
2660	Medical Supplies (TOTAL 2600)	39 32,052								
3110	Cap Equipment (Other than Medical & ADP)	988	20	40		42		2		
3120	Cap Equipment (Invest)			5		5				
3130	Cap Equipment (Expense)									
3140	Cap Equipment Medical Items (TOTAL 3100)	988	3	5		5				
0500	TOTAL OBLIGATIONS	473,873,298	254,911	513,739		532,141			25	
1500	CHANGE IN SELECTED RESOURCES									
4000	TOTAL EXPENSE	473,873,298	254,911	513,739		532,141			25	

* Includes \$24,052,000 increase over
Certified Year end report.

DEPARTMENT OF DEFENSE
CIVILIAN HEALTH AND MEDICAL PROGRAM OF THE UNIFORMED SERVICES
OPERATION AND MAINTENANCE - DEFENSE AGENCIES
HEALTH RELATED PROGRAMS - BUDGET DATA
In thousands of dollars)

Category	Code	Obligations		Outlays	
		1974 Actual	1975 Est.	1974 Actual	1975 Est.
Provision of hospital and medical services, indirect	16199	1/	493,071	1/	483,210
General hospital in-patients	16105		304,067		298,322
Psychiatric hospital inpatients	16110		97,199		95,355
Outpatient services (other than mental health)	16125		31,633		30,847
Outpatient mental health services	16130		22,907		22,365
Other services	16135	/2	37,265		36,321
Total Health Programs	19999		493,071		483,210

1/ Data for the CHAMPUS FY 1974 is included in the 3 Military Department's submissions. /2 Other services include the following:

Budget responsibilities for the Program	Program for Handicapped (\$000)	FY 75	FY 76
were transferred to OASD(H&E) effective with FY 75.	Administrative costs of operating CHAMPUS	11,569	12,695
	Total Other Services	25,696	31,346
		37,265	44,041

EXHIBIT 5

A-11-45B

DEPARTMENT OF DEFENSE
CIVILIAN HEALTH AND MEDICAL PROGRAM OF THE UNIFORMED SERVICES
OPERATION AND MAINTENANCE - DEFENSE AGENCIES

HEALTH RELATED PROGRAMS - WORKLOAD

<u>Category</u>	<u>Code</u>	<u>1974</u> <u>Actual</u>	<u>1975</u> <u>Estimated</u>	<u>1976</u> <u>Estimated</u>
Provision of hospital and medical services, indirect:				
Number of individual in-patients treated	25199	1/	393,110	397,828
Hospitals, general	25105	1/	357,731	362,024
Hospitals, psychiatric	25110	1/	35,379	35,804
Number of other patients treated	25299	1/	576,572	583,491
Outpatients (other than mental health)	25205	1/	455,492	460,958
Outpatient mental health services	25210	1/	121,080	122,533

1/ The data for FY 74 is included in the exhibits prepared by the three military departments.

EXHIBIT 6

A-11-45C

DEPARTMENT OF DEFENSE
CIVILIAN HEALTH AND MEDICAL PROGRAM OF THE UNIFORMED SERVICES
OPERATION AND MAINTENANCE - DEFENSE AGENCIES

HEALTH RELATED PROGRAMS - RECIPIENT CLASSIFICATION
(In thousands of dollars)

Category	Code	Obligations		Outlays	
		1974	1975	1974	1975
		Actual	Est.	Actual	Est.
Non-indigent persons, Total	32109	1/	493,071	1/	483,210
Aged (65 & over)	32105		---		---
Other Adults (19-64)	32110		332,872		326,215
Children and Youth (0-18)	32115		160,199		156,986
Total, all recipients	33199		493,071		483,210
Aged (65 & over)	33105		---		---
Other Adults (19-64)	33110		332,872		326,215
Children & Youth (0-18)	33115		160,199		156,986

1/ The data for FY 74 is included in the exhibits prepared by the three military departments.

The data in Exhibit 5 is equally confusing. According to the OMB guidelines, the figures should be considered as numbers of persons for each category. The numbers shown, however, cannot be identified with any data recorded in OCHAMPUS. There does not seem to be any way of relating these figures to average daily patient load or numbers of claims, the two main non-dollar reporting categories found in the CHAMPUS data base.

Exhibit 6 is also confusing in that it indicates no persons over the age of 65 have received, or will receive, treatment under the CHAMPUS Program. It is true that at age 65 a person loses his eligibility under the CHAMPUS Program and is then covered by the provisions of the Social Security Administration's MEDICARE Program. There are, however, a substantial number of retired persons and their dependents who cannot qualify for the SSA's MEDICARE Part A and these persons can, and do, continue to use the CHAMPUS Program. A beneficiary who is not eligible for MEDICARE, Part A, must obtain a notice of disallowance from the Social Security Administration and submit it with a new retired military ID card which does not preclude CHAMPUS eligibility after his 65th birthday. It would seem, therefore, that the costs incurred by this segment of patient category should be budgeted for under the costs of the CHAMPUS Program.

THE CHAMPUS PHASEBACK REPORT

Throughout the history of the CHAMPUS Program there has been a requirement for timely reports on the operations of the program. During the period 1968 to 1971 OCHAMPUS published an Annual Report. These reports, issued on 1 June of each year, reported disbursements based on all claims processed through 30 April of the year the report was issued. The Annual Reports issued on 1 June 1969 and 1970 reported disbursements, in six month segments, for the periods of 1 July 1967 to 31 December 1968 and 1 July 1968 to 31 December 1969, respectively. The Annual Reports issued in 1971 and 1972 had a slightly different reporting format. These reports covered only the preceding calendar year. To explain further, the report issued 1 June 1972 covered the accumulated disbursements for the period from 1 January 1971 to 31 December 1971. In addition, all of the above reports contained several statistical tables which reported such information as OCHAMPUS overhead operational costs, estimated numbers of eligible dependents, average daily patient loads, average length of stay, and average cost per day.

In 1972 OCHAMPUS discontinued the publication of these Annual Reports and began publishing a monthly report titled "Office for the Civilian Health and Medical Program of the Uniformed Services -- Phaseback Data." In a short time the report became known as the CHAMPUS Phaseback Report. The

Phaseback Report presents CHAMPUS data in three parts and nine categories.

The data is reported as an accumulated total for the "Merged FYS," as yearly totals for two fiscal years, and as monthly and yearly totals for two more fiscal years. To explain further, the September 1974 Phaseback Report would report on claims and costs for Merged Fiscal Years 1957 through 1971, for yearly totals for Fiscal Years 1972 and 1973, and for monthly figures and yearly totals for Fiscal Years 1974 and 1975. The Fiscal Year 1975 totals would, for the September 1974 report, include only the summed monthly figures for July, August and September 1974. The October 1974 Phaseback Report would be essentially the same except that the monthly figures for October would be included in the total reported for Fiscal Year 1975. In September 1975, the Merged Fiscal Years would be defined as the Fiscal Years 1957 to 1972. The yearly totals would be reported for Fiscal Years 1973 and 1974. Monthly figures and yearly totals for Fiscal Year 1975 and 1976 would also be reported.

The Phaseback Report covers actual payments made by OCHAMPUS to hospital contractors and fiscal administrators and other authorized payees, that is, payments made directly to beneficiaries. The report does not, however, reflect payments made by the contractors for which they have not been reimbursed by OCHAMPUS. Neither does it reflect the actual amount of care furnished beneficiaries for which civilian

sources of care have not yet submitted a claim for payment. Because of these reasons, and because of the normal accumulation of claims transactions during the month, the amounts shown for any time period on the report will, almost without exception, be different for amounts reflected for the same time period on past or future reports.

The amounts shown for each time period of the report reflect the care provided by civilian sources which has been paid on claims submitted within billing dates occurring during the indicated time period. The amounts shown are net amounts in that deductibles for outpatient care and drugs and for the handicapped program are computed and subtracted by the contractors. To the extent that all or part of this care was actually rendered in a prior period and, dependent upon any subsequent adjustment, amounts shown can vary from actual care rendered during that period. The name of this report is derived from the fact that, to the fullest degree possible, numbers and amounts of claims are "Phased Back" for inclusion in the accumulation for the time period in which the applicable care was rendered rather than the period in which the claims were paid.

Part 1 of the Phaseback Report reports the numbers of claims and the associated professional charges in summary form and in more detailed breakdowns of the data by user categories. The Summary Section reports the number of claims and associated costs in totals for all the branches of the

user services and in totals for each of the service branches, that is, for the Army, the Navy, the Air Force, and the Public Health Service. The next section titled "All Services" is essentially a breakdown, by patient categories and by cost categories, of the Summary Costs for all of the user services. The next four sections report in further detail the "All Services" data by the same patient and cost categories for each of the user services. These sections, as well as the section for All Services, each take up eighteen pages.

There are essentially four patient categories and five cost categories used in reporting the data in the above-mentioned sections. The patient categories are:

1. Dependents of active duty and NATO personnel.
2. Dependents of retired or deceased members, including Title III retirees.

3. Retired members.

4. The fourth patient category is actually a summarization of the above three categories and is termed "All Beneficiaries." In the following paragraphs each of the major cost categories and their subcategories will be identified and, where possible, an explanation of the composition of the elements of the category will be presented.

A. INPATIENT

This cost category covers the inpatient hospital and physician's charges. It must be pointed out that not all such

charges and claims are for actual inpatient care. Provisions of the CHAMPUS Program specify that all claims and charges for pregnancy cases shall be reported as inpatient charges. In addition, any outpatient care obtained thirty days prior to and 120 days after hospitalization is to be considered as inpatient charges for billing purposes.

The subcategories of the inpatient cost category are titled in the following general format: (patient category), Physician and Hospital Inpatient Only, Excluding Dental. An additional phrase of "Excluding Handicapped Dependents" is inserted in the subcategory title just after the patient category. Each subcategory is further broken down into three sections. The Hospital section reports the total number of inpatient days by the fiscal year and month breakdown discussed previously, the number of claims, and the cost for inpatient hospital care. The Physician section reports the number of claims and costs for inpatient physician care and the third section reports the total inpatient costs and the number of claims.

B. OUTPATIENT

This category reports outpatient care received by eligible beneficiaries. The phrase "Excluding Drugs, Handicapped, and Dental" appears in the subcategory title. Each subcategory is further reported by each of the patient categories. The comments in the previous section concerning the problem of

counting outpatient care as inpatient care should be recalled.

The subcategories in the outpatient data are:

1. Physician Outpatient Care
2. Psychotherapy Outpatient Care
3. Physician Outpatient Care Excluding Psychotherapy - and the other exclusions cited above.

In each of the subcategories the reporting format is to list the number of visits, the number of claims resulting from those visits, and the associated charges arising from the claims. In addition, the results of calculations for the average cost per visit and the average cost per claim are presented.

C. DRUGS

This cost category reports the claims and costs for prescription drugs purchased by the beneficiaries as part of their outpatient treatment. It also includes items of durable equipment which are determined by a physician as necessary for the effective treatment of a medical condition and which cost more than \$50. Costs are reported for each patient category as in previous cost categories. The general report format for drugs is to list the number of prescriptions, the number of claims, and the government cost.

The government cost figure can be rather complex. If the drug is dispensed by a physician in connection with an office

visit or a home visit, the physician is reimbursed at the actual cost of the drug. If the drug is obtained through a pharmacy, the pharmacist is reimbursed for the cost of the drug at wholesale price plus a pharmacy professional fee which represents the average per prescription gross margin. Gross margin in this context consists of total prescription overhead costs plus net profit computed at a flat average charge. The professional fee is added to the acquisition cost of a drug to determine the maximum allowable prescription charge.

D. HANDICAPPED DEPENDENTS

The Program for the Handicapped applies only to dependents of active duty personnel who have a serious physical disability or moderate or severe mental retardation. The Physically Handicapped Only Excluding Dental subcategory reports the number of claims and associated charges for non-residential treatment and for residential treatment. In addition, the number of days of residential treatment are reported. A final section of this subcategory entitled "Total" is a summarization of the figures for the two classes of treatment.

The Mentally Retarded Only subcategory reports the number of claims and the professional costs for the treatment of the mentally retarded. The reporting format is the same as is used in the Physically Handicapped subcategory. The third subcategory is a summarization of the two preceding subcategories and utilizes the same general report format.

E. DENTAL CARE

Dental care is reported in terms of inpatient and outpatient costs and numbers of claims. As in previous cost categories there is a third subcategory of total claims and costs which summarizes the other two subcategories. The claims and costs for dental care are reported for each of the patient categories as was found in other cost categories.

F. AVERAGE DAILY PATIENT LOAD

Section seven of the Phaseback Data comprises Part 2 of the report. This part/section reports workload data in terms of average daily patient load for all services and for each of the user services. The average daily patient load is further broken down by the beneficiary categories. The general reporting format is:

<u>Daily Average</u>	<u>12 Month Moving Average</u>	<u>Average Length of Stay</u>
XXX	XXXX	X.X

It must be noted, however, that the 12 Month Moving Average is reported only for the monthly figures.

G. COSTS

Sections eight and nine comprise Part 3 of the Phaseback Data. Part 3 is concerned with costs of the operations of the program. Section eight reports the Inpatient Cost Per Patient Day. This data is reported by all services and by the user services by each of the patient categories discussed earlier. The general report format is shown below.

FISCAL YEAR(S)	
HOSPITAL DAYS	XXXX
TOTAL COST:	
HOSPITAL	\$XXXX.XX
PHYSICIAN	\$XXXX.XX
COST PER DAY:	
HOSPITAL	\$XXX.XX
PHYSICIAN	\$XXX.XX

The last section of the Phaseback Data is the Reconciliation of Report Data to Cost by Fiscal Year. Data in this section is reported in two methods. The first section reports on the Reconciliation of Report Data to Disbursements by All Services, by the user services, and by the Veterans Administration. The discussion in an earlier chapter concerning the VA's use of the CHAMPUS Program should be recalled. The report format used in this subsection is shown below:

	<u>TOTAL</u>	<u>A</u>	<u>N</u>	<u>AF</u>	<u>PHS</u>	<u>VA</u>
PHASEBACK DATA	XXXX	XX	XX	XX	XX	-0-
VA PROFESSIONAL COSTS	X					X
LESS VOUCHERS IN PROCESS	(XX)	(X)	(X)	(X)	(X)	(X)
ADD: WIRE ADVANCES IN PROCESS	XXX	XX	XX	XX	XX	X
ADJUSTMENTS TO HOSPITAL RATES	XXX	XX	XX	XX	XX	-0-
CONTRACTOR ADMIN COSTS	XX	X	X	X	X	X
CONUS (To 12/31/66)	XX	X	X	X	X	-0-
DENTAL	-0-	-0-	-0-	-0-	-0-	-0-
TBU (Claims Paid By OCHAMPUS)	XX	X	X	X	X	-0-
OTHER GOV'T AGENCIES	XX	X	X	X	X	-0-
OCHAMPUS OFFICE COSTS	XX	X	X	X	X	-0-
TOTAL DISBURSEMENTS	XXXXX	XX	XX	XX	XX	X

The remaining subsection titled "Total Cost by Fiscal Year" reports the total costs of the program, accumulated

total costs for the merged fiscal years, the yearly totals for four more fiscal years, and a grand total of all the costs incurred over the life of the CHAMPUS Program.

READING THE CHAMPUS PHASEBACK DATA

The preceding chapter discussed the format of the CHAMPUS Phaseback Data in order that one might get an idea of the composition of this voluminous report. Because of its format, the Phaseback Data is relatively easy to read. It is not, however, easy to relate what one has read to any previous reports.

A. CALENDAR YEARS 1968 TO 1971

The published Annual Reports of the Office for CHAMPUS for Calendar Years 1968 and 1971 were used in compiling the data for Tables V, VI, VII and VIII. In Calendar Years 1968 and 1969 the CHAMPUS report format was to present accumulated costs on a six month basis in four basic cost categories and to include three six month periods in each report [Refs. 5 and 6]. The Annual Reports for Calendar Years 1970 and 1971 had a different format. Costs were accumulated for a full calendar year and reported on a yearly basis, that is, they were reported without the six month breakdowns found in the previous reports. Lacking detailed knowledge of the accounting procedures used, the reported figures were divided by two and equal amounts were assigned to each fiscal year. Thus, the dollar amounts reported for Fiscal Years 1970 and 1971 should be regarded as approximations only. They are used later in this chapter to demonstrate the program's growth and, as such, the figures shown tend to be quite accurate.

TABLE V

REPORTED CHAMPUS COSTS FOR FISCAL YEAR 1968
(\$ IN THOUSANDS)

<u>COST CATEGORY</u> ¹	<u>ARMY</u>	<u>NAVY</u>	<u>AIR FORCE</u>	<u>TOTAL</u>
Inpatient	\$15,809	\$15,771	\$10,398	\$ 90,853
Hospital	18,700	17,771	12,404	
Inpatient	948	1,342	967	9,951
Physician	2,037	2,573	2,084	
Outpatient	8,176	8,779	5,442	48,809
(Note 2)	9,550	10,263	6,599	
Handicapped	356	267	436	2,955
Program	537	542	817	
TOTAL	\$56,113	\$57,308	\$39,149	\$152,568

Source: CHAMPUS, TWELFTH ANNUAL REPORT, 1969.

Note 1: First number in each cost category represents costs for first six months of the fiscal year. Second number is the second six months of the fiscal year.

Note 2: Includes drugs and outpatient dental costs.

TABLE VI

REPORTED CHAMPUS COSTS FOR FISCAL YEAR 1969
(\$ IN THOUSANDS)

<u>COST CATEGORY</u> ¹	<u>ARMY</u>	<u>NAVY</u>	<u>AIR FORCE</u>	<u>TOTAL</u>
Inpatient	\$23,525	\$20,427	\$14,744	\$122,893
Hospital	24,979	22,486	16,732	
Inpatient	11,981	11,777	7,678	64,746
Physician	12,513	12,451	8,346	
Outpatient	1,670	2,039	1,695	15,703
(Note 2)	3,127	3,888	3,284	
Handicapped	782	697	1,184	6,375
Program	1,006	970	1,734	
TOTAL	\$79,583	\$74,735	\$55,397	\$209,715

Source: CHAMPUS, THIRTEENTH ANNUAL REPORT, 1970.

Note 1: First number in each cost category represents costs for first six months of the fiscal year. Second number is the second six months of the fiscal year.

Note 2: Includes drugs and outpatient dental costs.

TABLE VII

REPORTED CHAMPUS COSTS FOR FISCAL YEAR 1970
(\$ IN THOUSANDS)

<u>COST CATEGORY¹</u>	<u>ARMY</u>	<u>NAVY</u>	<u>AIR FORCE</u>	<u>TOTAL</u>
Inpatient	\$26,907	\$23,169	\$17,040	\$146,879
Hospital	31,590	26,834	21,339	
Inpatient	12,625	12,329	7,894	70,868
Physician	14,456	13,701	9,863	
Outpatient	2,053	2,632	2,172	18,440
(Note 2)	3,418	4,310	3,855	
Handicapped	1,020	1,061	1,771	9,497
Program	1,385	1,581	2,679	
TOTAL	\$93,454	\$85,617	\$66,613	\$245,684

Source: CHAMPUS, FOURTEENTH ANNUAL REPORT, 1971.

Note 1: First number in each cost category represents costs for first six months of the fiscal year. Second number is the second six months of the fiscal year.

Note 2: Includes drugs and outpatient dental costs.

TABLE VIII

REPORTED CHAMPUS COSTS FOR FISCAL YEAR 1971
(\$ IN THOUSANDS)

<u>COST CATEGORY¹</u>	<u>ARMY</u>	<u>NAVY</u>	<u>AIR FORCE</u>	<u>TOTAL</u>
Inpatient	\$31,590	\$26,834	\$21,339	\$174,846
Hospital	35,685	31,356	28,042	
Inpatient	14,456	13,701	9,863	82,316
Physician	16,015	15,581	12,700	
Outpatient	3,418	4,310	3,855	28,229
(Note 2)	4,782	6,214	5,650	
Handicapped	1,385	1,581	2,679	15,208
Program	2,170	2,704	4,689	
TOTAL	\$109,501	\$102,281	\$ 88,817	\$300,599

Source: CHAMPUS, FIFTEENTH ANNUAL REPORT, 1972.

Note 1: First number in each cost category represents costs for first six months of the fiscal year. Second number is the second six months of the fiscal year.

Note 2: Includes cost of drugs and inpatient and outpatient dental costs.

Exhibit 7 demonstrates still another problem found in reading the CHAMPUS reports. The two sets of figures represent the first half of Fiscal Year 1969 as reported at the end of Calendar Years 1968 and 1969 respectively. In both cases, the reported dollar figures represent all claims processed through April 30 of the next calendar year. If one can assume that these differences are typical in the Annual Reports, the results of any comparisons made with the amounts shown in Tables VI to IX must be viewed with some degree of skepticism.

B. FISCAL YEARS 1973 AND 1974

Tables IX and X are the reported figures for Fiscal Years 1972 and 1973. The dollar amounts for these years were obtained from the July 1974 Phaseback Data [Ref. 9]. The Office for CHAMPUS began using this report format in 1972. To date, however, copies of the reports published in 1972 and 1973 have not been obtainable.

In a Phaseback Data which is issued on a monthly basis, the costs are accumulated on a monthly basis. The particular month's report used exerts an influence on the reported costs. For example, in Table X the reported Inpatient Hospital claims costs for the Navy is \$70,734,000 in the July report. The same cost category in the August 1974 report is \$70,739,000 and in the September 1974 report it is \$70,751,000. One could argue for using the latest report that is available. To do so, however, would produce a wider difference in the totals

EXHIBIT 7

	<u>END OF CALENDAR YEAR 1968</u>			<u>END OF CALENDAR YEAR 1969</u>				
	(\$ IN THOUSANDS)							
<u>COST CATEGORY</u>	<u>ARMY</u>	<u>NAVY</u>	<u>AIR FORCE</u>	<u>TOTAL</u>	<u>ARMY</u>	<u>NAVY</u>	<u>AIR FORCE</u>	<u>TOTAL</u>
Inpatient Hospital	\$21,274	\$18,669	\$13,420	\$53,363	\$23,525	\$20,427	\$14,744	\$58,696
Inpatient Physician	1,362	1,696	1,412	4,469	11,981	11,777	7,678	31,436
Outpatient Claims	10,634	10,755	6,915	28,304	1,670	2,039	1,695	5,404
Handicapped Program	514	461	738	1,713	782	697	1,184	2,663
TOTAL	\$33,784	\$31,581	\$22,485	\$87,850	\$37,958	\$34,940	\$25,301	\$98.199

Source: Figures for Calendar Year 1968 from CHAMPUS, TWELFTH ANNUAL REPORT, 1970.
 Figures for Calendar Year 1969 from CHAMPUS, THIRTEENTH ANNUAL REPORT, 1971.
 The wide variance for figures for cost categories Inpatient Physician and Outpatient Claims when compared to totals for each service would seem to indicate a change in the definition of the costs that compose each of the cost categories.

TABLE IX

REPORTED CHAMPUS COSTS FOR FISCAL YEAR 1972
(\$ IN THOUSANDS)

<u>COST CATEGORY</u> ¹	<u>ARMY</u>	<u>NAVY</u>	<u>AIR FORCE</u>	<u>TOTAL</u>
Inpatient Hospital	\$74,687	\$70,734	\$ 66,336	\$211,757
Inpatient Physician	32,621	34,165	29,705	96,491
Outpatient (Note 2)	11,684	15,075	18,199	44,958
Handicapped Program	2,663	3,118	4,080	9,855
TOTAL	\$121,655	\$123,086	\$118,320	\$363,061

Source: CHAMPUS PHASEBACK REPORT, July 1974.

Note 1: Number in each cost category represents an entire fiscal year. No six month breakdowns available.

Note 2: Includes drugs and inpatient and outpatient dental care.

TABLE X

REPORTED CHAMPUS COSTS FOR FISCAL YEAR 1973
(\$ IN THOUSANDS)

<u>COST CATEGORY</u> ¹	<u>ARMY</u>	<u>NAVY</u>	<u>AIR FORCE</u>	<u>TOTAL</u>
Inpatient Hospital	\$76,134	\$ 79,475	\$ 78,402	\$234,011
Inpatient Physician	31,091	36,401	34,703	102,195
Outpatient (Note 2)	13,960	19,199	22,652	55,811
Handicapped Program	2,648	2,655	4,386	9,689
TOTAL	\$123,833	\$137,730	\$140,143	\$401,706

Source: Same as Table 7.

Note 1: Same as Table 7.

Note 2: Same as Table 7.

-- and even then the reported figures would not be a "total" cost for that year. Another alternative would be to use only cost figures that are at least two years old. While such a procedure may produce more valid comparisons of cost, it would also exclude those years in which the cost increases have been the most dramatic.

C. EXPENDITURE RATES

Based on historical operating data over the eighteen year life of the program, CHAMPUS officials have been able to plot the rate at which funds are disbursed to contractors. The appropriation for the CHAMPUS Program is what is termed a "one-year" appropriation. This means that obligations may be incurred against the appropriation for one fiscal year. The expensing of these obligations may, however, take place over the following two fiscal years. To rephrase this last statement, the CHAMPUS Program payments cover 36 months. To explain further, care may be provided in July of Fiscal Year 197X but claims will continue to be paid until the thirtieth of June, Fiscal Year 197X+2.

In terms of financial management, the rate of expenditure of funds in any program is important. By the very nature of the CHAMPUS Program the rate of obligation is uncontrollable since a potential obligations occur anytime a dependent or a retired person receives care from a civilian source. The rate of expenditures for the CHAMPUS Program have been, and are, carefully monitored [Ref. 10]. Exhibit 8 depicts, in terms

EXHIBIT 8

CHAMPUS PROGRAM EXPENDITURE RATES
EXPRESSED AS PERCENTAGES

<u>MONTH</u>	<u>FY 70</u>	<u>FY 71</u>	<u>FY 72</u>	<u>FY 73</u>
1	.2	.05	.05	.05
2	1.0	.2	.6	.6
3	4.3	2.3	5.3	5.6
4	9.6	5.9	9.7	11.6
5	16.2	11.9	17.7	17.6
6	22.4	19.5	23.2	24.1
7	27.0	26.3	31.6	30.2
8	34.7	33.8	37.8	38.5
9	43.8	44.6	46.6	45.6
10	52.3	53.5	53.0	56.4
11	60.5	60.1	64.2	63.8
12	68.5	71.5	74.7	73.3
13	77.3	81.4	80.1	79.8
14	82.6	87.7	87.9	87.5
15	87.3	92.5	93.3	92.1
16	90.9	94.4	95.6	94.6
17	93.6	95.8	96.6	95.7
18	95.3	96.8	97.1	96.6
19	96.3	97.5	97.7	97.4
20	97.0	97.8	98.1	97.7
21	97.7	98.2	98.5	98.2
22	98.1	98.5	98.7	98.5
23	98.6	98.7	99.1	98.7
24	98.8	99.0	99.2	99.0
25	99.0	99.2	99.3	99.2
26	99.2	99.3	99.3	99.3

of percentage of total funds available at the end of the fiscal year, the rate of expenditure of funds over the life of each fiscal year's appropriation. The exhibit spans four of the more recent fiscal year. It will be noted that the exhibit covers only twenty-six months for each fiscal year's appropriation. The increment in percentage of funds expended for the remaining ten months totals less than one percent for all years. As can be seen in all four of the years studied, by the twenty-fourth month, over 99 percent of available funds have been expended. It should also be noted that the expenditure rate for any given month, especially after the twelfth month, remains relatively constant over the four years shown.

The data for Fiscal Year 1974, as reported in the July 1974 Phaseback Data, represents the amount of expenditures through the twelfth month of the program. From Exhibit 33 one can see that by the twelfth month an average of about 72 percent of the total expenditures have been recorded. Using the July 1974 data and projecting it through the twenty-sixth month results in the figures in Table XII. By using the projection technique just described the figures in this table may be considered compatible with the figures shown for the other time periods discussed above. The total costs expended for the program and by each of the three branches of the Armed Forces are presented graphically in Exhibits 9 and 10. As can be seen from the program totals graph, the cost for the

TABLE XI

PROJECTED CHAMPUS COSTS FOR FISCAL YEAR 1974
 (\$ IN THOUSANDS)

<u>COST CATEGORY</u> ¹	<u>ARMY</u>	<u>NAVY</u>	<u>AIR FORCE</u>	<u>TOTAL</u>
Inpatient Hospital	\$91,352	\$99,806	\$100,137	\$291,295
Inpatient Physician	36,023	42,662	43,231	121,916
Outpatient (Note 1)	12,041	16,923	18,211	47,145
Handicapped Program	2,728	3,670	4,981	11,379
TOTAL	\$142,144	\$163,061	\$166,560	\$471,765

Source: Same as Table X.

Note 1: Includes drugs and inpatient and outpatient dental costs.

CHAMPUS Program are continuing to rise at a fairly rapid rate. Perhaps the most significant feature of the Armed Services graph is relatively rapid growth exhibited by the Air Force. In 1968 it accounted for about 25.3 percent of the total program costs. In the projections for Fiscal Year 1974 it accounts for 35.3 percent of the total costs.

EXHIBIT 9

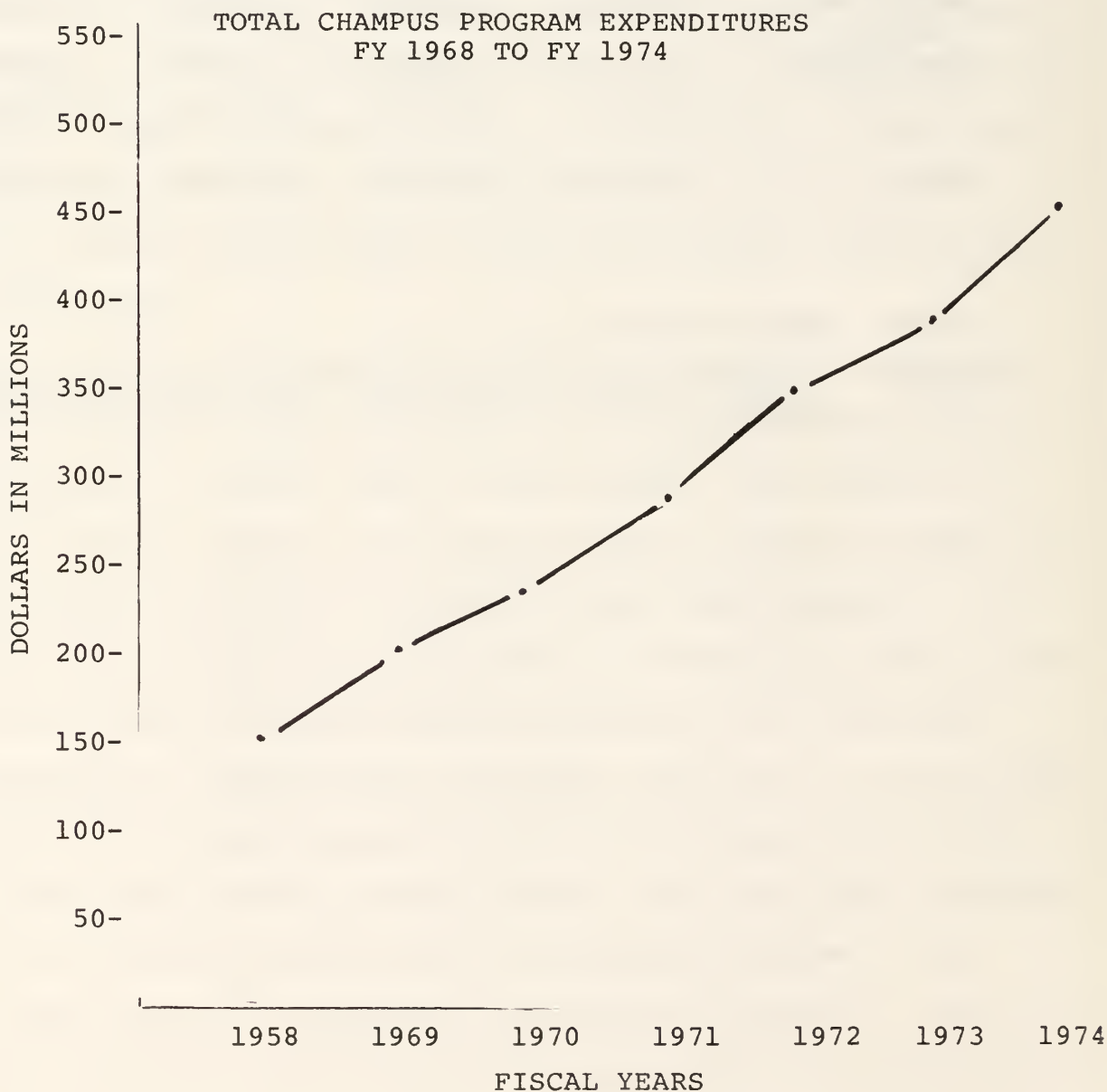
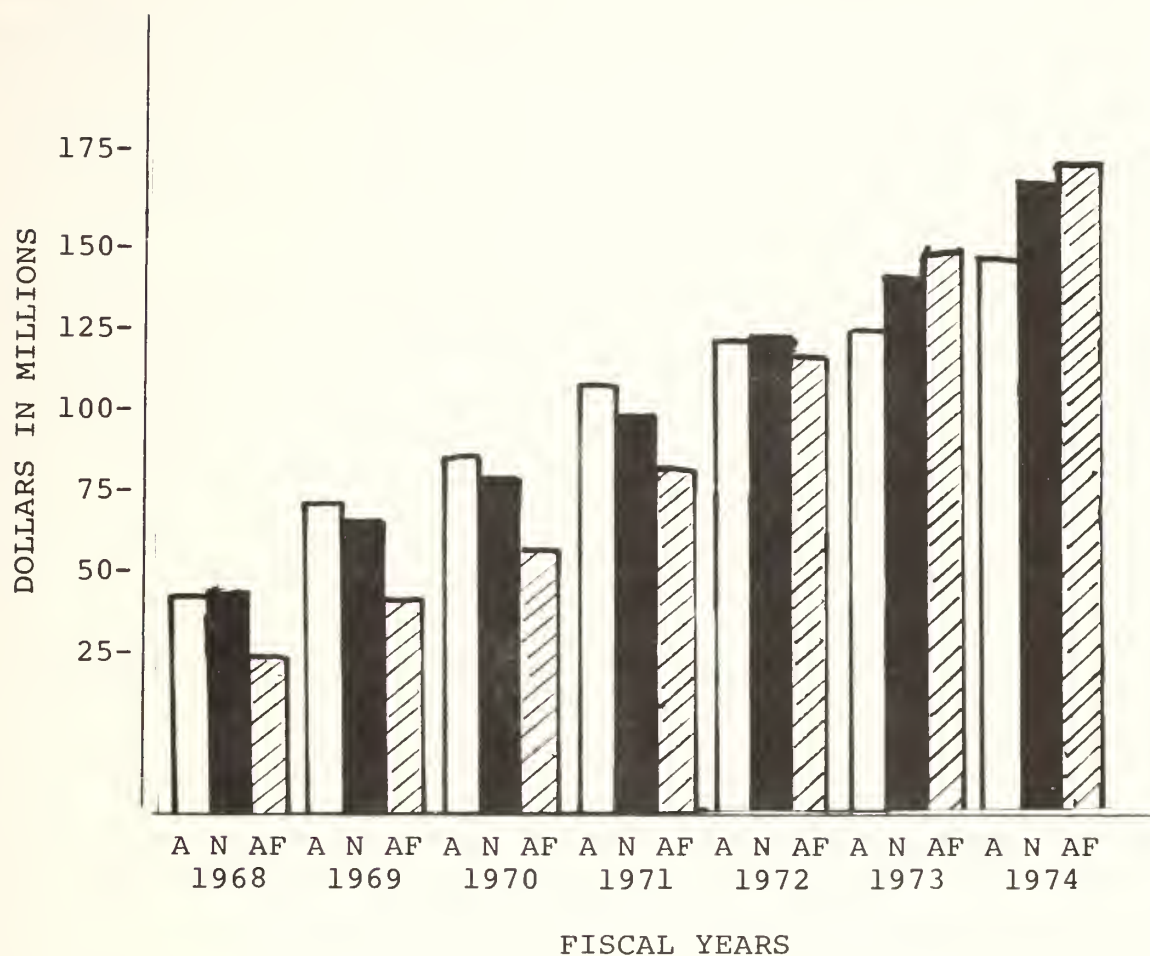


EXHIBIT 10

CHAMPUS PROGRAM EXPENDITURES BY BRANCH OF SERVICE FY 1968 TO FY 1974



D. INTERPRETING THE CHAMPUS REPORT

Reading a CHAMPUS Phaseback Report for any given month is not too difficult. It is more difficult, however, to interpret the information found in the report without resorting to previous reports. The following tables represent an attempt to attach some significance to the Phaseback Data.

The tables were constructed from data found in the September 1974 Phaseback Data.

Table XII was developed by using the data found in the Summary Section of the report. Costs for each entry were divided by the number of claims. The result, the average expenditure per claim, is shown. The comments made earlier concerning the problems associated with counting some outpatient care as inpatient care should be kept in mind when reading this and successive tables.

Tables XII through XIX are based on the information from Section 2, All Services, and Section 4, Navy, of the Phaseback Data. The calculations used to compile Table XIII and Table XIV are as follows.

1. $\frac{\text{Hospital Days}}{\text{Hospital Claims}} = \text{Average Days Per Claim}$
2. $\frac{\text{Hospital Costs}}{\text{Hospital Claims}} = \text{Average Cost Per Claim} - \text{Hospital}$
3. $\frac{\text{Hospital Costs}}{\text{Hospital Days}} = \text{Average Cost Per Hospital Day}$
4. $\frac{\text{Physician Costs}}{\text{Physician Claims}} = \text{Average Cost Per Hospital Day}$
5. $\frac{\text{Total Costs}}{\text{Total Claims}} = \text{Average Cost Per Inpatient Claim}$

Tablex XV, XVI, and XVII concerning outpatient charges were constructed by entering the average cost per claim and average cost per visit from the Phaseback Data and performing the following calculations.

1. $\frac{\text{Number of Visits}}{\text{Number of Claims}} = \text{Average Visits Per Claim} - \text{Outpatient}$

TABLE XII

DISTRIBUTION OF ALL CHAMPUS PROFESSIONAL COSTS
BY ALL BRANCHES

Average Expenditure Per Claim

	<u>All Branches</u>	<u>Army</u>	<u>Navy-MC</u>	<u>Air Force</u>	<u>PHS</u>
Merged FY's					
FY 72	\$128.00	\$134.20	\$127.80	\$122.90	\$129.80
FY 73	165.30	173.70	159.90	162.80	172.10
FY 74:	162.70	170.10	159.00	159.80	169.10
July '73	195.75	207.17	193.11	186.38	191.54
August	190.61	199.01	190.61	182.70	213.94
September	182.41	192.37	181.60	174.87	190.10
October	173.14	181.69	171.21	168.20	174.74
November	170.30	180.50	167.34	164.95	173.03
December	175.47	185.91	174.26	169.00	165.66
January '74	160.15	170.82	155.92	156.03	159.85
February	163.97	174.11	162.86	157.12	164.64
March	166.04	177.52	159.83	163.18	165.78
April	163.31	174.05	160.19	160.14	165.27
May	162.40	171.47	156.50	160.44	172.78
June	146.95	153.34	144.86	143.39	157.55
Total FY 74	169.80	179.50	167.00	164.80	173.62

TABLE XIII

RETIREDE/DECEASED DEPENDENTS
PHYSICIAN AND HOSPITAL INPATIENT COSTS
(EXCLUDING DENTAL)

	H O S P I T A L			P H Y S I C I A N			T O T A L	
	Average Days Per Claim		Average Cost Per Claim	Average Cost Per Day		Average Cost Per Claim	Average Cost Per Inpatient Claim	
	All	Navy		All	Navy		All	Navy
MERGED FYS	9.84	9.59	\$359.50	\$36.50	\$37.92	\$ 98.84	\$197.50	\$197.62
FY 72	10.21	9.87	436.76	42.73	45.64	108.80	231.10	234.34
FY 73	10.09	9.88	456.57	45.22	47.56	110.83	240.41	244.69
FY 74								
July '73	9.54	9.33	446.28	46.97	50.94	109.55	237.26	245.83
August	9.37	9.04	450.54	48.07	52.11	113.49	241.29	247.87
September	9.02	8.94	458.63	50.81	54.25	112.80	244.12	162.84
October	9.46	9.51	473.96	50.07	52.25	116.12	246.78	253.03
November	8.77	8.52	467.42	53.25	55.89	115.14	245.27	281.16
December	10.43	10.04	512.34	49.08	54.19	120.12	271.41	281.16
January '74	8.84	8.71	469.54	53.09	56.42	113.78	242.65	249.61
February	8.91	8.91	495.34	55.55	59.59	118.02	257.26	269.24
March	9.14	8.77	505.16	55.32	58.91	119.27	265.47	268.30
April	9.05	8.78	515.09	56.91	60.24	121.93	266.14	269.88
May	8.61	8.52	531.87	61.71	64.93	124.46	279.44	287.93
June	8.82	8.56	547.25	62.00	67.57	129.14	282.88	297.93
Total FY 74	9.17	8.98	487.26	53.09	56.70	117.43	255.50	262.97

TABLE XIV

RETIRED MEMBERS
PHYSICIAN AND HOSPITAL INPATIENT COSTS
(EXCLUDING DENTAL)

	H O S P I T A L			P H Y S I C I A N			T O T A L	
	Average Days Per Claim		Average Cost Per Claim	Average Cost Per Day		Average Cost Per Claim	Average Cost Per Inpatient Claim	
	All	Navy		All	Navy		All	Navy
MERGED FYS	9.35	9.33						
FY '72	8.77	8.97	\$394.77	\$42.19	\$42.85	\$104.17	\$214.02	\$217.07
FY '73	8.28	8.34	479.65	54.66	54.55	115.91	249.61	251.91
FY '74			484.65	58.52	60.69	114.34	250.40	256.10
July '73	8.01	8.49	472.54	58.93	60.74	112.45	248.04	256.85
August	8.15	8.76	482.16	59.15	61.34	117.00	251.27	269.20
September	8.24	8.41	499.92	60.65	63.32	118.40	261.04	274.45
October	7.86	7.80	481.54	61.19	64.52	120.81	251.12	257.32
November	8.16	8.11	523.88	64.14	66.79	124.85	269.72	274.66
December	7.82	7.95	542.30	66.00	70.26	120.64	269.65	290.24
January '74	7.76	7.78	516.74	65.10	68.61	121.74	258.46	260.09
February	8.15	8.40	505.75	67.43	73.61	128.82	282.68	301.54
March	7.95	8.41	548.50	68.91	73.44	113.07	283.30	301.07
April	6.67	8.54	555.11	67.29	69.66	128.89	284.44	294.99
May	8.13	8.05	616.75	75.83	77.11	131.73	310.90	307.44
June	7.94	8.21	598.75	75.38	78.73	130.98	303.40	312.32
Total FY '74	8.03	8.24	526.06	65.43	68.50	123.25	271.38	281.79

PHYSICIAN OUTPATIENT CARE
(EXCLUDING DRUGS, HANDICAPPED, PSYCHOTHERAPY, AND DENTAL)62

TABLE XVI

PSYCHOTHERAPY OUTPATIENT CARE

	R E T I R E D D E P E N D E N T S				R E T I R E D M E M B E R S			
	Average Visits Per Claim		Average Cost Per Claim		Average Visits Per Claim		Average Cost Per Claim	
	All	Navy	All	Navy	All	Navy	All	Navy
MERGED FYS	5.81	5.66	\$119.65	\$119.90	6.25	6.01	\$127.16	\$20.33
FY 72	5.14	4.96	124.57	124.79	5.58	5.48	126.44	22.62
FY 73	4.69	4.27	115.43	115.00	4.78	4.40	120.11	25.11
FY 74	4.67	4.82	85.35	86.71	5.06	5.94	95.72	18.88
July '73	4.82	4.83	99.59	97.51	4.92	4.65	103.31	95.54
August	5.26	5.25	109.96	109.25	5.50	5.67	115.20	114.52
September	5.25	5.30	114.74	114.79	5.61	5.77	124.23	129.83
October	5.35	5.47	118.34	118.76	5.88	6.25	132.41	140.72
November	6.05	6.20	132.05	136.82	6.11	5.96	135.20	132.16
December	5.09	5.02	117.49	119.03	5.56	5.61	128.20	126.20
January '74	5.07	5.21	116.80	121.62	5.22	5.25	125.48	125.75
February	5.34	5.44	124.12	126.45	5.47	5.40	129.07	128.88
March	5.11	5.03	118.67	117.02	5.19	4.98	122.85	116.48
April	5.15	4.99	122.52	119.07	5.53	5.72	133.83	139.34
May	5.27	5.38	129.14	135.22	5.57	5.41	132.56	135.91
June								
Total FY 74	5.24	5.28	117.33	118.60	5.50	5.53	124.67	125.07
								22.74
								22.61

TABLE XVII

PHYSICIAN OUTPATIENT CARE
(EXCLUDING DRUGS, HANDICAPPED, AND DENIAL)

	R E T I R E D D E P E N D E N T S				R E T I R E D M E M B E R S			
	Average Visits Per Claim		Average Cost Per Claim		Average Visits Per Claim		Average Cost Per Claim	
	All	Navy	All	Navy	All	Navy	All	Navy
MERGED FYS	4.05	3.82	\$49.94	\$49.67	3.83	3.55	\$47.66	\$46.67
FY 72	3.56	3.38	53.42	53.33	3.20	2.99	48.03	46.25
FY 73	3.12	2.21	51.10	50.13	2.76	2.52	47.21	44.51
FY 74								
July '73	2.46	2.35	47.54	48.24	1.89	1.75	45.85	44.86
August	2.65	2.51	51.63	50.69	2.16	2.08	46.91	45.04
September	2.61	2.49	49.90	48.00	2.28	2.18	47.98	46.03
October	2.66	2.46	48.69	47.24	2.39	2.23	49.10	47.73
November	2.70	2.55	49.51	47.69	2.46	2.34	48.74	47.19
December	3.20	3.02	53.37	52.35	2.89	2.62	50.97	48.72
January '73	2.55	2.37	46.80	45.51	2.30	2.18	46.10	44.69
February	2.51	2.40	46.42	45.81	2.18	1.09	47.15	46.18
March	2.58	2.44	47.41	46.23	2.31	2.12	47.46	46.38
April	2.58	2.42	47.35	45.40	2.29	2.13	47.01	44.75
May	2.69	2.52	48.27	46.17	2.30	2.27	48.00	47.25
June	3.41	3.20	52.99	52.17	3.05	2.89	51.18	49.78
Total FY 74	2.74	2.58	49.11	47.81	2.42	2.27	48.17	46.67
							19.86	18.52

TABLE XVIII

DRUG CLAIMS

	<u>R E T I R E D D E P E N D E N T S</u>				<u>R E T I R E D M E M B E R S</u>			
	<u>Average</u>		<u>Average Cost</u>		<u>Average</u>		<u>Average Cost</u>	
	<u>Prescriptions</u>	<u>Per Claim</u>	<u>Per Prescription</u>	<u>Per Claim</u>	<u>Prescriptions</u>	<u>Per Claim</u>	<u>Per Prescription</u>	<u>Per Claim</u>
	<u>All</u>	<u>Navy</u>	<u>All</u>	<u>Navy</u>	<u>All</u>	<u>Navy</u>	<u>All</u>	<u>Navy</u>
MERGED FYS								
FY 72	4.93	5.03	\$3.46	\$3.47	4.93	5.03	\$17.13	\$17.48
FY 73	5.75	5.54	3.72	3.70	5.75	5.54	21.46	20.53
FY 74	5.78	5.48	3.88	3.90	5.78	5.48	22.45	21.39
July '73	3.35	3.64	3.72	3.53	3.35	3.64	12.47	12.88
August	3.44	3.74	3.99	3.92	3.44	3.74	13.76	14.70
September	4.00	4.14	4.01	4.00	4.00	4.14	16.11	16.58
October	4.24	4.54	4.03	3.96	4.24	4.53	17.13	17.99
November	4.61	4.54	4.05	4.08	4.61	4.54	18.69	18.56
December	5.93	5.65	4.05	4.10	5.93	5.65	24.04	23.20
January '74	4.74	4.51	5.53	4.08	4.74	4.51	18.97	18.40
February	4.71	4.58	3.99	3.99	4.71	4.58	18.81	18.32
March	4.92	4.80	4.00	4.11	4.92	4.80	19.73	19.74
April	5.03	4.82	3.95	4.00	5.04	4.82	19.99	19.30
May	5.54	5.25	4.11	4.10	5.54	5.25	22.82	21.60
June	8.24	7.58	4.08	4.06	8.24	7.58	23.98	30.85
Total FY 74	5.42	5.21	4.03	4.05	5.42	5.21	21.91	21.11
							4.03	4.05

TABLE XIX

DENTAL CARE

	<u>RET / DEC D E P E N D E N T S</u>						<u>R E T I R E D M E M B E R S</u>					
	<u>Inpatient</u>		<u>Outpatient</u>		<u>Total</u>		<u>Inpatient</u>		<u>Outpatient</u>		<u>Total</u>	
	<u>Average Cost</u>	<u>Per Claim</u>	<u>Average Cost</u>	<u>Per Claim</u>	<u>Average Cost</u>	<u>Per Claim</u>	<u>Average Cost</u>	<u>Per Claim</u>	<u>Average Cost</u>	<u>Per Claim</u>	<u>Average Cost</u>	<u>Per Claim</u>
	<u>All</u>	<u>Navy</u>	<u>All</u>	<u>Navy</u>	<u>All</u>	<u>Navy</u>	<u>All</u>	<u>Navy</u>	<u>All</u>	<u>Navy</u>	<u>All</u>	<u>Navy</u>
MERGED FYS	\$182.69	\$181.64	\$142.59	\$143.98	\$153.97	\$155.19	\$198.25	\$215.11	\$2007.15	\$190.24	\$200.04	\$195.72
FY 72	198.65	177.12	155.23	154.03	185.54	168.62	358.20	121.50	121.50	135.91	203.30	125.44
FY 73	181.92	269.11	147.93	147.10	171.28	180.37	171.05	126.00	185.69	192.60	181.41	167.62
FY 74												
July '73	196.65	206.90	116.72	107.40	182.43	187.12	155.50	86.00	109.20	66.00	122.42	70.20
August	184.14	182.12	150.67	139.06	176.80	171.92	0.00	0.00	274.58	532.50	274.58	532.50
September	171.85	176.31	111.03	115.14	156.13	159.74	111.50	0.00	231.00	86.33	211.08	86.33
October	188.98	209.04	162.90	179.67	181.57	198.14	242.18	352.33	87.21	105.75	155.40	211.57
November	204.48	211.57	142.73	134.53	181.36	184.13	418.66	434.75	211.16	236.12	261.08	302.33
December	219.47	201.82	142.43	141.16	189.29	177.87	117.90	80.00	195.45	174.00	169.60	159.81
January '74	178.53	181.96	147.70	124.77	161.72	151.85	232.50	450.00	324.55	442.77	291.67	443.50
February	235.27	286.26	140.53	103.97	171.35	142.46	164.20	146.00	163.65	174.66	163.76	167.50
March	210.62	206.42	138.03	120.96	156.52	142.08	212.66	243.75	216.07	176.33	215.05	203.30
April	183.78	218.24	206.48	229.67	200.00	226.50	149.00	435.00	186.66	1814.00	179.13	266.00
May	169.73	159.55	154.37	132.48	159.05	139.25	82.50	18.00	203.85	226.75	192.81	203.66
June	218.92	266.72	147.44	159.63	162.38	189.10	1088.00	1088.00	282.54	390.00	455.14	651.75
Total FY 74	192.72	199.76	149.13	142.90	174.49	175.02	248.17	366.00	209.08	239.54	218.97	267.77

Table XVIII covers drug claims. The calculations used in compiling this table are:

1. $\frac{\text{Number of Prescriptions}}{\text{Number of Claims}} = \text{Average Prescriptions Per Claims}$
2. $\frac{\text{Government Cost}}{\text{Number of Claims}} = \text{Average Cost Per Claim}$
3. $\frac{\text{Government Cost}}{\text{Number of Prescriptions}} = \text{Average Cost Per Prescription}$

The calculations used in compiling Table XIX, Dental Care, are:

1. $\frac{\text{Inpatient Cost}}{\text{Inpatient Claims}} = \text{Average Inpatient Cost Per Claim - Dental}$
2. $\frac{\text{Outpatient Cost}}{\text{Outpatient Claims}} = \text{Average Outpatient Cost Per Claim - Dental}$
3. $\frac{\text{Total Cost}}{\text{Total Claims}} = \text{Average Total Cost Per Claim - Dental}$

From reading these tables one can get an idea of the affect of the usage of the CHAMPUS Program by Navy beneficiaries. The tables indicate that, for most of the cost categories, Navy beneficiaries incurred a slightly higher average cost for the treatment that they received as compared to the total costs for each category. It is possible that, since most Navy beneficiaries live in large coastal cities, the higher costs can be attributed to the higher costs of living in those cities.

It is especially interesting to note Table XVIII, Drug Claims. Note that the Average Cost Per Prescription, the Average Cost Per Claim, and the Average Number of Prescriptions are nearly identical in all entries for the dependents

of retired and deceased personnel and the entries for retired members. This would seem to indicate that the dependents and the retired members purchased exactly the same types of prescriptions in exactly the same amounts and at the same cost. The probability of such an occurrence is extremely small. A more likely conclusion is that the OCHAMPUS computer program for this cost category contains some anomaly that produces this phenomenon. This question was raised in conversations with the Director of Management Services at OCHAMPUS. No definitive answer to the question has been provided.

The above tables presented the results of calculations described above for dependents of retired and deceased persons and for retired members only. No attempt was made to perform similar calculations for dependents of active duty persons or for the handicapped program. The effect of the deductible provisions in the outpatient category and the variable - according to rate or rank - co-payments required in the Handicapped Program make the results of such calculations meaningless.

CONCLUSIONS

The section on the budgeting for the CHAMPUS Program outlines problems associated with administering a program as vast as that of CHAMPUS. It is quite evident that the costs of this program are rising and at a rapid rate. Until the past year the price increases associated with inflation could be fairly accurately predicted. The aggregate number of eligible persons can be fairly accurately predicted. It is more difficult, however, to estimate how many persons will utilize the program's benefits in future years. It is equally difficult to predict how many times in a year a single person will use the program, for how long, and at what cost.

The succeeding section which discussed the CHAMPUS Phaseback Data Report was meant to be descriptive of the overall CHAMPUS reporting system. As mentioned there, there is another report, a quarterly statistical summary. These reports are published for the managers of the CHAMPUS Program. In that regard they receive a limited distribution. Less than 60 copies of the report are published. Each of the Surgeon Generals, the Comptrollers of each of the services, and the Assistant Secretary of Defense, receive the report. The CHAMPUS Phaseback Data is, as has been discussed above, difficult to read. Even if one assumes a basic knowledge of the CHAMPUS Program it is difficult to read and interpret. Indeed, it seems that the only part of the report one could readily utilize is that section that pertains to costs. It is our understanding that the Quarterly Statistical Summary is in a similar format. (A copy of this report was not made available for the study.) One then wonders if this data is in a format which can be readily utilized by these managers.

Considering the difference in the FY 1976 budgets discussed above, it becomes apparent that the reports are not interpreted the same by the various agencies. It is, therefore, our opinion that there is room for improvement in the report format.

As of January 1975, the CHAMPUS Program was in the throes of change. Nearly all of the changes resulted from the increased interest on the part of the members of the U.S. Congress. The current CHAMPUS appropriation is funded with a specific dollar ceiling. The Assistant Secretary of Defense (Health and Environment) is under Congressional mandate to get the program's costs under control. Some possible ways to do this is to reduce the allowable benefits, change benefits from one cost category to another, or to stop all benefits when the dollars run out. The latter is clearly not a feasible alternative. Thus, policy changes in the arena of the first two alternatives have been made.

On top of the budget limitations are the effects of inflation. Budgetary guidelines required that the Fiscal Year 1976 budget be held at the level of the Fiscal Year 1975 budget. In view of the double-digit inflation in the nation, and especially in the health care industry, such a requirement makes any budget figure obsolete almost before the ink is dry.

There are a couple of subject areas that need further study. Both the budgetary and the accounting processes can stand more indepth study. As was apparent from this study, it is very difficult to match budgeted dollars with expended dollars. It is hoped that another such study in these subject areas could provide more understanding on these subjects. Another area in need of more study is the organizational relationships

which are in existence at the office of the Assistant Secretary of Defense. Further study of these relationships may provide some valuable insight into the policy decision-making process and, in turn, may assist those in CHAMPUS management to better understand their role and the goals of the CHAMPUS Program.

APPENDIX A

OPERATION AND MAINTENANCE, ARMY BUDGET SUBMISSION, FY 1974

Total Operation and Maintenance, Army -----\$7,548,913

Program 8: Training, Medical, and Other

General Personnel Activities ----- 1,726,710

Budget Program: Medical Programs ----- 644,300

Appropriation:

Operation & Maintenance, Army	Actual FY 1972	Estimate FY 1973	FY 1974
Budget Pgm, Pgm Element, or Bud Proj Acct.			
81214 Medical Care in Non-Service Facilities (Executive Director)	\$141.367	\$178,555	\$206,627

JUSTIFICATION.

Section 1 - Purpose and Scope

This program provides for the administration of the Uniformed Services Health Benefits Program by The Surgeon General of the Army as Executive Director. Medical care is provided to the Dependents' Medical Care Act (10 U.S.C. 1071-1087) as modified by Section (25) of Public Law 85-861 and 89-614. Included is inpatient and outpatient medical care furnished dependents of active duty personnel, retirees, and dependents of retired and deceased of the Uniformed Services in civilian facilities in the United States, Puerto Rico, Canada and Europe. Included also is a program of health services, training and special education and rehabilitation for handicapped dependents of active duty personnel.

Section 2 - Justification

The fund requirement for the Army portion of Uniformed Services Health Benefits Program for Fiscal Year 1974 amounts to \$206,627,000 and is based upon the most recent experience, optimum utilization of the Uniformed Services facilities, and the fact that dependents residing apart from sponsor may, by law, choose between federal and civilian hospitals. The following reflects the development of the fund requirement:

	FY 1972	FY 1973	FY 1974
<u>Estimated Population</u>	<u>2,560,258</u>	<u>2,495,921</u>	<u>2,507,241</u>
Dependents, Active Duty	1,483,248	1,495,921	1,312,276
Dependents, Retired and Deceased	730,400	779,600	810,732
Retired Members	346,610	367,123	384,233
 <u>Total Average Daily Patient Load</u>	 <u>3,545</u>	 <u>3,884</u>	 <u>4,076</u>
Dependents, Active Duty	1,920	1,910	1,900
Dependents, Retired and Deceased	1,225	1,460	1,600
Retired Members	400	514	576
 <u>Patient Days</u>	 <u>1,297,470</u>	 <u>1,417,660</u>	 <u>1,487,740</u>
Dependents, Active Duty	702,720	697,150	693,500
Dependents, Retired and Deceased	448,350	532,900	584,000
Retired Members	146,400	187,610	210,240
 <u>Cost Per Patient Day</u>			
Dependents, Active Duty	\$106.41	\$113.33	\$120.70
Dependents, Retired and Deceased	60.13	64.04	68.20
Retired Members	75.65	80.57	85.81

In Thousands of Dollars

Cost to the Federal Government

Inpatient:

Dependents, Active Duty	\$ 74,776	\$ 79,008	\$ 83,705
Dependents, Retired and Deceased	26,959	34,127	39,829
Retired Members	11,075	15,116	18,041
Total Inpatient	(\$112,810)	(\$128,251)	(\$141,575)

Outpatient Care Costs	12,153	19,699	22,582
Drugs	1,750	3,017	3,871
Handicapped	2,712	3,762	3,989
Dental	4,102	12,500	21,976
Europe	1,500	2,900	2,000

<u>Total Medical Care Costs</u>	<u>(\$135,027)</u>	<u>(\$170,129)</u>	<u>(\$196,893)</u>
---------------------------------	--------------------	--------------------	--------------------

<u>Administrative Costs</u>	(\$6,340)	(\$8,426)	(\$9,734)
<u>Claims Processing</u>			
Costs	4,340	6,413	7,757
CHAMPUS Office	2,000	2,013	1,977
<u>Total Requirements</u>	\$141,367	\$178,555	\$206,627

Section 3 - Summary of Budget Changes

		In Thousands of Dollars	
FY 1973 Estimate		\$178,555	
<u>Reductions</u>			
1. One-time Management Study of Health Maintenance Organizations	\$57		
2. Reduction in Average GS grade	<u>12</u>		
Total Reductions			-69
<u>Increases</u>			
1. Continued Rise in medical care costs	\$9,154		
2. Increased medical workload	18,954		
3. Annualization of graded pay raises	<u>33</u>		
Total Increases			<u>28,141</u>
FY 1974 ESTIMATE			\$206,627

APPENDIX B

OPERATION AND MAINTENANCE, NAVY BUDGET SUBMISSION FY 1974

Total Operation and Maintenance, Navy..... \$6,694,479

Direct Program 8: Training, Medical, and Other General
Personnel Activities..... 820,676

Budget Program E: Medical Support..... 360,931

----- Budget Program E: Medical Support:

(1) Hospital Operations

(2) Care in Non-Service Facilities:

(In Thousands)

FY 74 Est \$189,039

FY 73 Est 169,238

FY 72 Act 139,020

This budget program provides funds for inpatient and outpatient care of active duty and retired Navy and Marine Corps personnel and their dependents in other than service facilities. The funds requested for this purpose are based on fiscal year 1972 actual experience applied to planned Navy and Marine Corps strengths and estimated number of eligible dependents in fiscal year 1974, using prescribed charges for hospitalization and treatment where applicable. The increase requested in FY 74 is due to increased utilization of the CHAMPUS Program in addition to the continuing increased cost of private medical care. Workload and fund requirements for this program are as follows: (Ave. daily Pts) (Obligations)

	FY72 ACT	FY73 EST	FY74 EST	FY72 ACT	FY73 EST	FY74 EST
<u>CONTRACTED MEDICAL CARE:</u>				\$129,361	\$159,003	\$178,447
Inpatient Care	3,062	3,326	3,594	101,032	120,005	178,447
Outpatient Care				13,324	17,944	19,277
Retarded & Handicapped						
Contractor's Services & Fees, Drugs,				2,975	3,979	4,597
Dental and Other Costs				12,030	17,075	19,400
<u>OTHER NON-SERVICE CARE:</u>				\$ 9,659	\$10,235	\$10,592
Inpatient Care	317	314	315	7,631	8,085	8,343
Outpatient Care				2,028	2,150	2,249

Total Care in

Non-Service Facilities 3,379 3,640 3,909 \$139,020 \$169,238 \$189,039

Source: House of Representatives, Committee on Appropriations,
Subcommittee on Defense Hearings, Ninety Second Congress, Second Session. 1973

OPERATION AND MAINTENANCE, AIR FORCE
BUDGET SUBMISSION FY 1974

General Personnel Activities.....	953,225
-----------------------------------	---------

In Thousands	Subtotal	\$291,517	\$328,883	\$387,770
--------------	----------	-----------	-----------	-----------

Medical Care in Non-Service Facilities (TOTAL)	\$126,202	\$163,356	\$209,835
--	-----------	-----------	-----------

76

APPENDIX D

CHAMPUS DIALOGUE HOUSE OF REPRESENTATIVES COMMITTEE ON APPROPRIATIONS SUBCOMMITTEE ON DEFENSE, FY 1974

Mr. Flynt¹: Your statement (prepared statement on Operation and Maintenance, Army Budget) indicates that CHAMPUS program for fiscal year 1974 has been overfunded from \$25 to \$35 million. We have discussed the funding of the CHAMPUS program in the committee for many years. Past experience has always shown that this program is completely underfunded. How is it that in fiscal year 1974, the Army has so substantially overfunded the program?

Colonel Kiely²: Sir, our actual experience in fiscal year 1973 has indicated to us that CHAMPUS costs are continuing to rise. But they are rising at a slower rate than initially contemplated. The 1974 projection of \$172 million is \$21 million greater than the 1973 estimated requirement of \$151 million. The increase in CHAMPUS continues but not as fast as we had previously thought

Mr. Flynt: Was CHAMPUS overfunded or underfunded in fiscal year 1973?

Colonel Kiely: In fiscal year 1973, in tracking our CHAMPUS growth, we first discovered that CHAMPUS requirements were not beginning to reach the funds which we had programmed and budgeted for that activity. Some of the CHAMPUS funds in 1973 were utilized to meet our currency revaluation problem.

Mr. Flynt: Is that what you did with the excess funds?

Colonel Kiely: In the reprogramming, yes.

Mr. Garrity³: What was the total amount of excess CHAMPUS funds?

Colonel Kiely: It is in the reprogramming table, sir--\$23,286,000 in Program 8. In the reprogramming request for the CHAMPUS funds, sir, for CHAMPUS itself, \$20,325,000.

Mr. Flynt: Can you explain the difference between that amount and the \$23.8 million that you mentioned earlier?

Colonel Kiely: I was adding training funds in that sir.

Mr. Flynt: In other words, the correct amount is \$20,325,000?

Colonel Kiely: Yes, sir.

Mr. Flynt: What was the original budget request for CHAMPUS for fiscal year 1974 as compared to the revised amount that you are now asking?

Colonel Kiely: For CHAMPUS, we had an original program of \$206.6 million for fiscal year 1974.

Mr. Flynt: And you are now reducing it to what?

Colonel Kiely: \$171.8 million which is \$34.8 million under the fiscal year budget estimate.

The following information was furnished for the record.

"The following are the revised Army estimate, both workload and cost for CHAMPUS in fiscal year 1974."

<u>Average daily patient load</u>	(Thousands)
Dependents, Active Duty	\$ 1,710.00
Dependents, Retired and Deceased	1,742.00
Retired Members	568.00

<u>Cost Per Patient Day</u>	
Dependents, Active Duty	\$ 110.74
Dependents, Retired and Deceased	\$ 63.48
Retired Members	<u>\$ 85.60</u>

Inpatient Care Costs:	
Dependents, Active Duty	\$69,118.00
Dependents, Retired and Deceased	40,362.00
Retired Members	<u>17,747.00</u>
Total Inpatient Costs	\$127,227.00

Outpatient Care	18,355.00
Drugs	2,956.00
Handicapped	3,473.00
Dental	8,077.00
Europe	3,760.00
Administrative Costs	<u>7,947.00</u>
Total Army Costs	\$171,795.00

¹Mr. John J. Flynt, Democrat, Georgia.

²Colonel John W. Kiely, U.S. Army, Assistant Director of Army Budget for Operation & Maintenance, Office of the Comptroller of the Army.

³Mr. John M. Garrity, Staff Assistant, Committee on Appropriations, House of Representatives.

REFERENCES

- [1] U. S. Congress, House, Hearings before a subcommittee of the Committee on Appropriations, 92 Congress, 2nd Session, 1973.
- [2] U. S. Congress, Senate, Hearings before a subcommittee of the Committee on Appropriations, 92nd Congress, 2nd Session, 1973.
- [3] E. D. Lundell, Comptroller, Bureau of Medicine and Surgery, Washington, D.C., Letter, BUMED-465-75-njl, 21 March 1975.
- [4] Major Warren A. Benson, MSC, USA, Contract Administration Division, OCHAMPUS, Denver, Colorado, personal interview conducted during visit to OCHAMPUS offices. 24-25 April 1975.
- [5] Office for the Civilian Health and Medical Program of the Uniformed Services, Twelfth Annual Report, Calendar Year 1968. OCHAMPUS, Denver, Colorado, 1 June 1969.
- [6] Thirteenth Annual Report, Calendar Year 1969, OCHAMPUS, Denver, Colorado, 1 June 1970.
- [7] Fourteenth Annual Report, Calendar Year 1970, OCHAMPUS, Denver, Colorado, 1 June 1971.
- [8] Fifteenth Annual Report, Calendar Year 1971. OCHAMPUS, Denver, Colorado, 1 June 1972.
- [9] Phaseback Data, 31 July 1974. OCHAMPUS, Denver, Colorado, 31 July 1974.
- [10] Major Warren A. Benson, MSC, USA, Contract Administration Division, OCHAMPUS, Denver, Colorado, personal interview conducted during visit to OCHAMPUS offices. 24-25 April 1975.
- [11] Office for the Civilian Health and Medical Program for the Uniformed Services, Phaseback Data, 30 September 1974. OCHAMPUS, Denver, Colorado, 30 September 1974.

INITIAL DISTRIBUTION LIST

	Copies
Defense Documentation Center Cameron Station Alexandria, Virginia 22314	2
Library, Code 0212 Naval Postgraduate School Monterey, California 93940	2
Dean of Research, Code 023 Naval Postgraduate School Monterey, California 93940	2
Library, Code 55 Naval Postgraduate School Monterey, California 93940	1
Department Chairman, Code 55 Department of Operations Research and Administrative Sciences Naval Postgraduate School Monterey, California 93940	2
Assoc. Prof. David R. Whipple, Code 55Wp Department of Operations Research and Administrative Sciences Naval Postgraduate School Monterey, California 93940	15
Assoc. Prof. Michael Block, Code 55Xb Department of Operations Research and Administrative Sciences Naval Postgraduate School Monterey, California 93940	1
LCDR Leland R. Maassen, MSC, USN 373-C Bergin Drive Monterey, California 93940	1
Dr. Al Rhode Op-964 Room 4A538, Pentagon Washington, D.C. 20301	1
Planning, Programming & Analysis Directorate Code 02 Bureau of Medicine & Surgery of the Navy 23rd & E Streets Washington, D.C. 20390	1

Captain John A. Coventry Health Care Administration Division Academy of Health Sciences, U.S. Army Fort Sam Houston San Antonio, Texas 78234	1
Lt. Col. Robert R. Jorgensen HQDA COASG - VCM Chief Management Studies Office Office of the Surgeon General - Army Washington, D.C. 20310	1
Research Division Naval School of Health Care Administration Bethesda, Maryland 20014	1
Library California Medical Association 693 Sutter Street San Francisco, California 94102	1
Major Dick Page Health Care Task Force 111 19th Street, Room 707 Rosslyn, Virginia 22209	1
Dr. Bill Mitchell (Management) Department of Management Sciences School of Business and Economics California State University Hayward, California 94542	1
Technical Library Naval Ordnance Station Indian Head, Maryland 20640	1
Mr. W. L. Nicholson (Statistics) Staff Scientist Pacific Northwest Laboratories Batelle Boulevard Richland, Washington 99352	1
Dr. W. James White Info Results, Ltd. Suite 204, 2074 Lawrence Avenue West Toronto, Ontario <u>Canada</u>	1
Dr. Jackson L. Albuquerque Dept. de Estatística Cx. Postal 1103 Universidade Federal do Ceará 600.000 Fortaleza, Ceará <u>Brazil</u>	1

U170546

DUDLEY KNOX LIBRARY - RESEARCH REPORTS



5 6853 01071147 6

~~U170546~~

NPS